

# CURRENT *History*

A MONTHLY MAGAZINE  
OF WORLD AFFAIRS

JULY 1966

## U. S. FOREIGN AID: CASE STUDIES

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# CURRENT History

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# CURRENT History

JULY, 1966

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*This second issue of Current History's review of United States foreign aid offers six area studies of this important aspect of American policy at work. "The success of [our] aid . . . in Europe," the first writer notes, "has had an important impact on American attitudes toward foreign aid in general." He warns against "what has been called the Marshall Plan fallacy—the idea that a sizeable injection of American aid would automatically bring speedy and equally sizeable results."*

## Aid Success in West Europe

By M. GLEN JOHNSON

*Assistant Professor of Political Science, Vassar College*

THE MOST SUCCESSFUL large-scale postwar American military and economic assistance programs have been those in Europe. These early programs had important impact on (1) the economic recovery of Europe, (2) the economic and political unity of Europe, (3) the military preparedness of Europe and the Atlantic alliance and (4) American attitudes toward foreign aid as an instrument of foreign policy. Before dealing with these topics, however, we must examine the origin and development of United States aid to Western Europe.

The willingness of the United States to use taxpayers' dollars to support large-scale development and military preparedness in post-war Europe grew out of the American determination to prevent a post-World War II recurrence of the economic chaos and even military expansionism which had followed World War I. The United States supported and encouraged the creation of international machinery to achieve these preventive goals. Specifically, economic recovery was to be fostered by the United Nations Relief and Rehabilitation Administration (UNRRA) and the International Monetary

Fund (I.M.F.) to which the United States made substantial contributions. In 1946, the United States supplemented UNRRA and I.M.F. assistance to Europe by a series of long-term, low-interest bilateral loans.

The task, however, was of far greater magnitude than the planners had imagined, and by 1947 it was evident that recovery was still a distant goal. For Western Europe as a whole, production had not yet reached the prewar level. Plant and equipment destroyed during the war could not be replaced for want of capital. After seven years of war, workers were dislocated, plagued by rusty or nonexistent skills and handicapped by inadequate diets and physical exhaustion. Food consumption was substantially below prewar levels. With inadequate production and food supplies, unsatisfied demand led to inflation. The importation of American goods to satisfy demand resulted in balance-of-payments problems and a severe "dollar gap."

On top of this already desperate situation came the winter of 1946-1947, one of the worst in European history. Freezing weather and heavy snows were followed by spring

thaws, floods, and then drought. Fuel and transportation were the major victims. Trains and trucks could not move and rivers and ports were frozen. Coal, already in short supply, could not be delivered to industrial consumers. More than half of Britain's factories had ceased to function by February, 1947. In human terms, the situation was even more desperate. People were everywhere hungry, cold, and often unemployed. In Germany, prostitution became an important occupation even for "respectable" girls and juvenile delinquency rose 400 per cent over the prewar level. Two hundred people froze to death in Berlin during that winter.<sup>1</sup> Europe was destitute and on the verge of bankruptcy.

In February, 1947, the seriousness of the European situation was brought forcefully to American attention. The British embassy in Washington notified the United States that Britain would no longer be able to sustain her commitment of assistance to Greece and Turkey, each threatened by a particular type of Soviet pressure. It was clear not only that Britain could no longer be relied upon as a counterbalance to the Soviet Union in Europe, but that Britain herself and the rest of Europe were close to economic and political collapse. With substantial help from Republican Senator Arthur Vandenburg, chairman of the Senate Foreign Relations Committee, President Harry S. Truman's administration stepped into the breach with \$400 million in aid for Greece and Turkey in what became known as the Truman Doctrine.<sup>2</sup>

<sup>1</sup> For a vivid picture of the European situation during this period, see John Spanier, *American Foreign Policy Since World War II* (Revised edition; New York: Praeger, 1962), pp. 34-37.

<sup>2</sup> One of the best accounts of activities in the Truman administration leading to the Truman Doctrine and the Marshall Plan is Joseph M. Jones, *The Fifteen Weeks* (New York: Viking Press, 1955).

<sup>3</sup> The text of Marshall's speech as well as other relevant documents may be found in *Documents on European Recovery and Defence: March 1947-April 1949* (London: Royal Institute of International Affairs, 1949). See also, United States Senate, *The European Recovery Program: Basic Documents and Background Information* (Washington: 80th Congress, 1st Sess., Senate Document No. 111, 1947).

Meanwhile, others in the Administration were considering the long-range implications of British and European weakness. Secretary of State George C. Marshall utilized an appearance he was scheduled to make at the Harvard University commencement on June 5, 1947, to launch what became known as the Marshall Plan.<sup>3</sup> After describing the economic plight of Europe, Marshall asserted:

It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. . . . Such assistance, I am convinced, must not be on a piecemeal basis as crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. . . . It would be neither fitting or efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of Europeans. The initiative, I think, must come from Europe. . . . The program should be a joint one, agreed to by a number of, if not all, European nations.

At the initiative of British Foreign Secretary Ernest Bevin, representatives of 16 European nations met to consider the European response to Secretary Marshall's offer. Their initial request for a total of \$29 billion in aid over the four-year period, 1948-1951, was scaled down to \$22 billion and presented, along with a plan of cooperative self-help, to the United States.

## EUROPEAN RECOVERY

The primary goal of the Marshall Plan was to stimulate economic recovery through substantial increases in industrial and agricultural production and reductions in the "dollar gap" and inflationary pressures. American grants and European cooperative self-help were the major methods by which these goals were to be achieved. Since the foremost problem was the lack of foreign exchange with which to buy needed American capital goods and food, the United States agreed to provide the dollars required for this purpose. In April, 1948, the United States Congress approved the Economic Cooperation Act of 1948, authorizing a total of \$5.3 billion for the first year of the program—

\$4.3 billion in grants and \$1 billion in loans. (President Truman had requested \$6.8 billion for the first 15 months.) The program received the backing of a majority of the Republicans and a majority of the Democrats in each house. One year later, the Congress extended the program for another 15 months through June 30, 1950, and authorized \$5.43 billion—the full Administration request. Again Congress acted with a bipartisan majority.<sup>4</sup> Altogether the President requested \$17 billion, but only a little over \$13 billion was actually spent over the four-year life of the Marshall Plan.

On the other side of the Atlantic, the Europeans were preparing to utilize the American funds. In April, 1948, the same month that saw the passage of the Economic Cooperation Act, they established the Organization for European Economic Cooperation (O.E.E.C.) to coordinate the recovery effort by gathering and analyzing European economic data and distributing American aid among the various member states. Though it was an intergovernmental organization in which each member state had the right of veto, the O.E.E.C. worked well in encouraging a cooperative European effort even in the distribution of United States aid funds—an area of potentially serious national rivalries.

Much of the Marshall Plan aid came back to the United States through European purchases of American products. In this sense the European Recovery Program (E.R.P.) and other American aid programs as well have been important subsidies to American business. In the first year of the program, American producers of coal, cotton, wheat, machine tools and other items benefited from E.R.P. purchases. In later aid programs, the United States has insured the subsidy features of aid by stipulating that the aid, or a certain portion of it, must be

spent in the United States. This "buy American" provision was not necessary in the E.R.P. since the American economy was the only major industrial economy producing large quantities of the goods Europe required. In fact, the E.R.P. stipulation was just the opposite—that a certain portion of Marshall Plan aid be spent in Canada and other countries to relieve inflationary pressures in the United States.

In the first two years of the program, its success in Europe was already apparent. By 1950, industrial production was up 25 per cent over the prewar (1938) rate (in 1948 it had been one per cent below the prewar rate). While coal production was still off as compared to 1938, it was up 10 per cent over 1948. Steel production was up 14 per cent over the prewar figure; agricultural production up 6 per cent and electric power up a phenomenal 69 per cent. The success of the program was even clearer by 1952, when it ended. The O.E.E.C. had set overall F.P.P. targets. In almost every case they were exceeded. The organization hoped for a 30 per cent increase in total industrial production (over the 1947 level)—a 65 per cent increase occurred. Similarly, increases in the production of steel, electricity, metal products and agricultural products exceeded expectations. Only in the area of coal production did the increase fall below the target. The total output of goods and services reached about 128 per cent of the prewar level.<sup>5</sup>

The very rapid recovery was due to both American aid and European cooperative self-help. The exact contribution of American aid is, of course, impossible to determine but some indication of its importance may be sensed from the fact that it "sufficed to pay for one-fourth of Europe's total imports of goods and services in the period 1947–50, or almost two-thirds of its merchandise imports from the dollar area."<sup>6</sup> Perhaps more important than the physical value of the aid was the way in which it attacked the frustration of snails-paced postwar recovery. As an O.E.E.C. report put it, the Marshall Plan "brought a vision of a new spirit of co-opera-

<sup>4</sup> *Congress and the Nation, 1945–1964* (Washington: Congressional Quarterly Service, 1965), p. 165. This fact-filled volume provides a wealth of information on Congress' role in foreign aid over a 20-year period.

<sup>5</sup> O.E.E.C., Ninth Annual Report, *A Decade of Cooperation: Achievements and Perspectives* (Paris: 1958), pp. 30–31.

<sup>6</sup> *Ibid.*, 33.

tion with which Europe's problems could be tackled."<sup>7</sup> The psychological boost of the American offer was an important incentive to self-help, cooperation and unity.

The Marshall Plan represented the major portion of American economic aid to Western Europe. Some smaller programs continued after the end of the E.R.P. in 1952 and it was not until the fiscal year 1963 that the last economic assistance commitment to Western Europe was made—a grant of \$125,000 to Yugoslavia.<sup>8</sup> For several years prior to the termination of the program its emphasis was on peripheral Europe: Spain, Yugoslavia, Iceland, Berlin.

## EUROPEAN UNITY

The relationship between political goals and economic aid is clearly demonstrated in the American use of the aid program to foster economic and political unity in Europe.<sup>9</sup> Not only did the Marshall Plan require a co-operative effort, but the Economic Cooperation Act explicitly declared that the Congress was "mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers and [believed] that similar advantages could accrue to the coun-

<sup>7</sup> *Ibid.*, 19.

<sup>8</sup> See Lyndon Johnson's letter of transmittal of *The Foreign Assistance Program: Annual Report to the Congress for Fiscal Year 1963* (Washington: 1964).

<sup>9</sup> Among the best histories of the unification movement with special emphasis on the postwar period are Arnold J. Zurcher, *The Struggle to Unite Europe: 1940-1958* (New York: New York University Press, 1958); Hans A. Schmitt, *The Path to European Union: From the Marshall Plan to the Common Market* (Baton Rouge: Louisiana State University Press, 1962); and Richard Mayne, *The Community of Europe: Past, Present and Future* (New York: W. W. Norton, 1963).

<sup>10</sup> U. S., *Statutes at Large*, LXII, Part 1, 137. See also the comments of Rep. Claude Bakewell (R., Mo.) in U. S., *Congressional Record*, 80th Cong., 1st Sess., 1947, XLIII, Part 9, 10942-43.

<sup>11</sup> Max Beloff, *The United States and the Unity of Europe* (Washington: Brookings Institution, 1963), p. 27. This book is an excellent study of the American role in the unification movement.

<sup>12</sup> U. S., *Statutes at Large*, LXIII, Part 1, 50.

<sup>13</sup> See *The Times* (London), June 16, 1950, p. 6 and June 17, 1950, p. 4.

<sup>14</sup> The best available study of the Council of Europe is A. H. Robertson, *The Council of Europe: Its Structure, Functions and Achievements* (Second edition; London: Stevens and Sons, 1961).

tries of Europe."<sup>10</sup> Senator J. William Fulbright (D., Ark.) sought to add a further declaration that United States policy was "to encourage the political unification of Europe."<sup>11</sup> He was assured that the Senate Foreign Relations Committee and many other members of Congress shared his view but it was not thought expedient to put such a declaration into the bill.

In April, 1949, however, in renewing the Marshall Plan, the Congress did declare in the preamble that it was "the policy of the people of the United States to encourage the unification of Europe."<sup>12</sup> The degree to which many Americans saw the Marshall Plan and American aid as incentives to European unity was demonstrated in 1950 when the British government refused to participate in the Schuman Plan to unite the European coal and steel markets. On that occasion several members of Congress suggested that the continuation of Marshall Plan aid to Britain be made contingent upon a more favorable British attitude toward the unity movement.<sup>13</sup>

For their part, the Europeans responded to the incentives provided by the United States. Not only did they establish the O.E.E.C. to facilitate economic cooperation and distribute Marshall Plan funds, but they took additional steps toward unity. It was almost as if the American offer had finally broken the log jam of schemes for unity in Europe. In May, 1948, 750 delegates whose names read like a "Who's Who of Western Europe" assembled at the "Congress of Europe" at The Hague. Out of this Congress came the Council of Europe, an intergovernmental organization composed of representatives of the various national parliaments and governments. Its powers, however, were limited to debating and advising and therefore failed to satisfy the more ardent advocates of unity.<sup>14</sup> They sought to take steps toward a genuine unity in which national sovereignty would at least partially be merged.

The first step in this direction was the proposal of French Foreign Minister Robert Schuman that the coal and steel industries of France and Germany be united "under a

common high authority in an organization open to the other European countries." The authority's decisions, he suggested, would "bind France, Germany and other member countries."<sup>15</sup> Based on this initiative, six nations—France, West Germany, Italy, Belgium, the Netherlands and Luxembourg—established the European Coal and Steel Community (E.C.S.C.) in 1952.<sup>16</sup> The E.C.S.C. was the forerunner of the European Common Market, established in 1958, which brought more extensive unity to the European economy. Thus American encouragement of European cooperation contributed to the creation of a prosperous and partially united Europe which has become one of the chief economic competitors of the United States and promises even greater competition.

## EUROPEAN DEFENSE

Early in the postwar period, it became clear that, in addition to the objectives of European recovery and unification, American aid was based on a third motive—creation of a state of military preparedness in Europe that would permit resistance to Communist aggression. Technically, the Marshall Plan was open to all European nations including the Soviet Union and the East European "satellites." "Any government," Marshall had told his Harvard audience, "that is willing to assist in the task of recovery will find full co-operation, I am sure, on the part of the United States Government." Though the Soviet Union and some of the East European countries initially expressed interest in the proposal, the American requirement of cooperation and full disclosure of economic information led the Russians, in June, 1947, to decline participation. With this refusal, the Marshall Plan became a full-fledged part of the American policy of "containment."

<sup>15</sup> The text of the Schuman statement may be found in *Vital Speeches*, XVI (June 1, 1950), 482.

<sup>16</sup> Among the best studies of the Schuman Plan and its relation to the process of unification is Ernst B. Haas, *The Uniting of Europe* (Stanford: Stanford University Press, 1958).

<sup>17</sup> See, for example, the argument by Will Clayton, special adviser to Secretary Marshall in "Is the Marshall Plan 'Operation Rathole'?" *Saturday Evening Post*, CCXX (November 29, 1947), 26-27, 137-138.

Even before the Soviet refusal, the Marshall offer had been seen in light of the emerging cold war. It was widely argued that communism flourished in a setting of economic chaos such as Europe was experiencing. The strength of the Communist parties in France and Italy about this time seemed to prove the point.<sup>17</sup> In fact, interim aid appropriations in early 1948, prior to the passage of the Economic Cooperation Act, were designed, among other things, to forestall a possible Communist victory in the Italian elections of April, 1948, and are widely believed to have contributed substantially to the achievement of that goal. The more comprehensive Marshall Plan was to provide security by removing the confused economic situation in which communism could grow.

Even before the Marshall Plan could become law, however, the Communist threat became more overt. In February, 1948, the Red Army insured the success of a Communist coup in Czechoslovakia and on April 1, 1948, the day before President Truman signed the Economic Cooperation Act, the Russians blockaded the access routes to Berlin, necessitating the Western airlift in response. On July 25, 1949, President Truman asked the Congress to provide \$1.45 billion in military aid to "any country" threatened by Communist aggression. The Congress reduced the sum, stipulated that aid to Europe should be contingent on the creation of a unified defense command and on September 28, 1949, passed the Mutual Defense Assistance Act authorizing \$1 billion in military aid to countries participating in the North Atlantic Treaty Organization (NATO), the American-sponsored mutual defense organization designed to resist Soviet aggression.

Though military aid had now become explicit, the emphasis remained on the economic aspect of American assistance in Europe. Until 1950, economic aid was four times as large as the military component. However, the invasion of South Korea by North Korean Communists in June, 1950, altered American priorities. As the cold war became a hot war, the United States became even more fearful of potential—even imminent—Soviet

aggression in Europe and of the relatively poor state of Western Europe's defenses. The Soviet Union's successful test of a nuclear device in 1949 accentuated this impression of inadequate defenses. Thus, in 1950, the Americans began to place top priority on military assistance to Europe and the aid proportions were reversed. Of the \$8.5 billion total aid request, \$5.7 billion was for military aid. By 1952, even the remaining economic component of the aid program was given an explicit security role when part of it was rechristened "defense support."

The priority which the Americans now attached to military preparedness and a unified command structure and the emphasis they placed on the role of a rearmed Germany in European defense furthered the suggestion by Britain's Winston Churchill in September, 1950, and by French Premier René Pleven in October, that a European army be established. The Pleven Plan, as this proposal was known, was modeled on the E.C.S.C. and involved a merger of national sovereignty in the military sphere. The six E.C.S.C. countries drafted a treaty for the European Defense Community (E.D.C.) which was signed in 1952. The dream of a European army remained only a dream, however, because in 1954 the French National Assembly refused to ratify the E.D.C. Treaty.<sup>18</sup>

The high point of American military aid to Western Europe was reached in 1953, the year before the defeat of E.D.C. The decline in military aid was slower than the decline in economic assistance. By the mid-1960's, however, military aid to Western Europe was relatively insignificant and was being reduced rapidly. The decline between fiscal years 1964 and 1965 was more than 50 per cent, from \$105 million in 1964 (excluding the United States share of international programs in the NATO area) to \$51 million in 1965. American military aid played an im-

portant role in insuring an adequate defense of Europe in the 1950's, but by the mid-1960's it was making little contribution to the economic stability or military security of the recipient countries.

The benefit of American aid by this time was almost exclusively in insuring the United States access to certain military facilities. For example, the 1963 extension of the Spanish-American Defense Agreement gave the United States access to strategically important military facilities in Spain in exchange for American military assistance. In 1964, a year after the last economic assistance commitment, the White House indicated that the military assistance program in Europe was in its final stages and was continued for only four limited purposes: (1) to fulfill earlier commitments; (2) to continue phasing down grant military assistance to the European area as a whole; (3) to assist in maintaining access to certain military bases and facilities; and (4) to fund the United States share in common international endeavors in Europe.<sup>19</sup>

## AMERICAN ATTITUDES

The success of the aid program to Europe has had an important impact on American attitudes toward foreign aid in general. In the first place, the success beyond economic expectations led to what has been called the Marshall Plan fallacy—the idea that a sizeable injection of American aid would automatically bring speedy and equally sizeable results. This Marshall Plan fallacy has meant considerable frustration with American aid in other areas of the world.

But the situation in Europe was very different from the situation in the underdeveloped world. Europe had skilled workers, industrial experience, attitudes and institutions which facilitated the operation of an indus-

(Continued on page 52)

<sup>18</sup> For a treatment of the many reasons for this French action, see Daniel Lerner and Raymond Aron, *France Defeats EDC* (New York: Praeger, 1957).

<sup>19</sup> *The Foreign Assistance Program: Annual Report to the Congress for Fiscal Year 1964* (Washington: 1965), p. 32.

M. Glen Johnson taught at the University of North Carolina and the University of Kentucky before joining the faculty at Vassar College. He is presently engaged in a study of British politics and British policy toward the question of European unification.

*As this specialist sees it, "The relatively affluent countries of the West have been accused, with some justice, of lapsing into a kind of apathy and narrow provincialism at the very time when the economic needs of the underdeveloped countries are growing." Foreign aid, he believes, is "an indispensable ingredient in the struggle for human survival, economic, social and political development, and national security in the countries of non-Communist Asia. . . ."*

## The Challenge for Aid in Asia

By NORMAN D. PALMER

*Professor of Political Science, University of Pennsylvania*

SINCE 1955 the pendulum of foreign aid has swung increasingly toward the countries of Asia, embracing the regions commonly described as the Far East, Southeast Asia and South Asia.<sup>1</sup> Whereas the Asian countries received less than one-fourth of American foreign assistance in the years 1946-1954, they have received approximately one-half of all such aid since 1955. The Far East and Southeast Asia, especially Korea, Laos and South Vietnam, are the main recipients of military assistance and "supporting assistance"—a term used for economic aid directly related to the maintenance of stability and security in countries like Korea and South Vietnam which are faced with the imperative need of maintaining large military forces. India and Pakistan, the major countries of South Asia, are by far the largest recipients of economic assistance, mainly in the form of development loans and shipments of agricultural commodities under the "Food for Peace" program, as provided in Public Law 480. (For excerpts, see page 46 of this issue.)

Figures for fiscal year 1965 serve to illustrate the conspicuous position which the

countries of Asia occupy with respect to these four main categories of United States foreign aid. Seven of the "forward defense countries" which received 64 per cent of total American military assistance during this fiscal year—the Republic of Korea, the Republic of China, South Vietnam, Laos, the Philippines, India and Pakistan—were Asian states. Since then, military aid to one state—South Vietnam—has pyramided, although it is still only a small part of the total costs to the United States of the military operations in that area, which run to a billion dollars or more each month. Two-thirds of all supporting assistance went to Korea, Laos and South Vietnam. More than one-half of all development loans and P.L. 480 shipments went to India and Pakistan. Four of the six major recipients of economic aid and P.L. 480 shipments in fiscal 1965—India, Pakistan, South Vietnam and Korea—were Asian.

This marked shift in geographical emphasis was a consequence of changing conditions, needs, and circumstances. By the early 1950's the major work of European rehabilitation and recovery had been accomplished, and soon thereafter the countries of Western Europe, now on the way to recovery, were able to shoulder a greater share of their defense burden as well. Up to the outbreak of the Korean War in 1950 and the serious

<sup>1</sup> In the geographical bureaus of the United States Department of State and its Agency for International Development, the Far East includes Southeast Asia, and South Asia is grouped with "the Near East."

food crisis in India in 1951, the American aid program in Asia was confined largely to the formidable contribution to Japan—which eventually totalled some \$3.7 billion—and to the continuing support of the Nationalist Government of China, which in 1949 was forced off the mainland to the island of Formosa (Taiwan). By early 1963 American aid to Korea had exceeded \$5.3 billion, and it is continuing at a high level, chiefly in the form of military and supporting assistance; assistance to Nationalist China had exceeded \$4.4 billion, but it has tapered off considerably since that time; India had received nearly \$4.0 billion in aid, and Pakistan \$1.9 billion, figures which have now mounted to over \$6.0 and \$3.0 billion respectively; the Philippines had received \$1.75 billion; aid to Laos totalled \$461 million and to Cambodia \$334.5 million; and another \$1.5 billion had been made available to "the Indo-China Region."

The objectives of United States aid to Asian countries have been perhaps even more varied and at times even more obscure than those relating to the aid program in other parts of the world. Foreign aid has been increasingly recognized as an integral part of foreign policy, and therefore the objectives, broadly speaking, are clearly to promote American national interests, as determined by responsible American policy makers and articulate sections of American public opinion. A clear objective in the "forward defense countries," most of which are in Asia, is to "contain communism," and frustrate the Communist threat, whether military or of the "creeping subversion" type. Increasingly, this has meant the frustration of the efforts of Communist China, since the Soviet Union seems to be following more moderate policies than the leaders of Communist China, and since China seems to be in a militant and egocentric mood. Another clear objective is to assist the developing states of Asia to achieve at least a tolerable degree of economic, social and political development, in order that they may not fall prey to political fragmentation, economic and social chaos and collapse, internal extremism or external control. Other objectives, explainable in terms

ranging from narrow self-interest to broad humanitarianism, are undoubtedly involved in one way or another; but the most obvious objectives, stemming from concepts of the national interest, seem to be security and development.

In each recipient Asian country the foreign aid story has its own special features, its own priorities, its own successes and failures. Overall, the picture is not an encouraging one. In spite of massive American military and economic assistance, few countries in non-Communist Asia, with the present exception of Japan and the Republic of China, are in a healthy economic condition, and none has been able to solve its basic security problems or to build a political system with effective leadership, good administration, and popular participation and support. It is hard to say what the results would have been if American assistance had not been forthcoming, but it cannot be said that this assistance has shown spectacular results anywhere, except perhaps in Japan and Taiwan. However, it is likely that without this assistance the economic and security situation in non-Communist Asia would be far worse, however gloomy it now is and however questionable the value of massive outside assistance may appear to be.

#### AID COUNTRY-BY-COUNTRY

Generalizations regarding the overall nature and purposes of American aid in Asia should be tested by country-by-country analysis of the aid program in its various dimensions, in actual operation. Here only brief comments will be made on the program in the major recipient countries of Asia, outside of Japan. Japan will not be included because the main period of American aid was some years ago, during the military occupation, because Japan is now in a flourishing economic position and is beginning to embark on a foreign aid program of its own, and because its present relations with the United States are centered on trade and problems of security—with the security treaty between the two countries due to expire or to be extended in 1970.

South Korea is a small country beset with military, political, economic and social problems that might overwhelm it if it did not receive substantial outside assistance and encouragement, mainly from the United States. Because of the continuing threat from Communist-dominated North Korea, with Communist China looming as an even greater threat in the immediate background, the Republic of Korea maintains the fourth largest standing army in the world, which it is obviously beyond its own resources to support. Recently, the Republic of Korea seems to have made greater progress than in past years in achieving a fair degree of political stability under the regime headed by Park Chung Kee, although complaints of corruption and graft are rife and although students and other groups often voice their discontent. It shows an impressive rate of economic growth, although it faces a severe balance-of-payments deficit. It has achieved improved relations with Japan, as a result of the recent normalization treaty and other agreements, which were protested bitterly by students and other groups in both countries.

The United States has not been altogether happy with the political orientation or the economic policies of the various regimes in South Korea; but on the whole it feels that its heavy commitments in Korea have been both inescapable and worthwhile. Recently it has received a bonus on its Korean investment in the dispatch of more than 20,000 Republic of Korea forces to Vietnam to serve beside the forces of South Vietnam and the United States. Continued American aid, both military and economic, would seem to be essential to help Korea maintain its armed forces—and thereby to be ready to resist any possible aggression from the north, such as it faced in 1950–1951, to support its economic development programs, and to sustain

its population, now numbering some 27.5 million. Sudden withdrawal or drastic reduction of our aid would be catastrophic.

Economically, the Republic of China on Taiwan has made rapid strides, and in recent years has achieved one of the most rapid rates of economic growth in the world.<sup>2</sup> "This substantial economic progress has been due to effective use of large amounts of U.S. aid, to an enterprising and highly skilled population, and to a government which has planned and facilitated economic development in the private sector."<sup>3</sup> Politically and militarily, of course, the situation in Taiwan is precarious, and the future uncertain. But as a result of the pace of economic development, the United States has been able to terminate its program of economic assistance to the Republic of China. A step-by-step reduction was announced in May, 1963; no new programs were undertaken in 1964; and on July 1, 1965, the AID Mission in Taiwan was closed. P.L. 480 agricultural commodities were supplied through 1965. The military assistance program will be continued, for the threat from mainland China is a constant and the Republic of China needs assistance in maintaining a large army to meet any possible contingency.

In his message to Congress outlining the foreign aid program for fiscal 1966, submitted on January 14, 1966, President Lyndon B. Johnson singled out the Republic of China as "a striking example of how, through self-help, a developing country can reach the point where it can carry on without concessional aid." He pointed out that whereas only ten years ago "the prospects for economic growth looked dim," remarkable progress had in fact been made "as a result of determined self-help supplemented by effective U.S. aid." A Special Study Mission of the House Committee on Foreign Affairs, which visited various countries of the Far East and Southeast and South Asia in December, 1965, reported that "The Republic of China represents the best example of what can be accomplished if effective use is made of U.S. aid."<sup>4</sup> Unhappily, such examples are few and far between.

<sup>2</sup> See *Report of the Special Study Mission to the Far East, Southeast Asia, India, and Pakistan*, Nov. 7–Dec. 12, 1965, House Report No. 1345, dated March 23, 1966, 89th Congress, 2d Session (Washington: U.S. Government Printing Office, 1966), p. 64. Hereafter referred to as *Report of the Special Study Mission*.

<sup>3</sup> *Ibid.*, p. 19.

In contrast to its impressions of the aid program in Taiwan, the Special Study Mission found the situation in the Philippines unexpectedly gloomy: "The delegation generally was disheartened to learn the extent to which some U.S. assistance to the Philippines has failed to meet its objectives, often because of the failure of the Philippine Government to provide adequate budgetary support." It cited the failure of the government to maintain either roads or equipment made possible through American aid, failure to support the malaria eradication program, with the result that the incidence of malaria is going up, the replacement of American-trained civil servants by political appointees, and the allocation of approximately 92 per cent of the military budget—which is only 10 per cent of the total budget—for personnel pay and allowances. The study mission concluded that "The Philippines undoubtedly will require substantial economic and military assistance in the future," and it recommended that the United States "should give such aid if there is sufficient evidence that the new administration is undertaking meaningful economic or governmental reforms."<sup>4</sup>

Nonetheless, in order to make a balanced assessment of American aid to the Philippines, the special nature of United States-Filipino relations and the long record of American assistance should be borne in mind. The aid program to the Philippines started long ago, shortly after the turn of the century. After World War II, the United States contributed substantially to the reconstruction of war-devastated areas, and to the economic development of the new country in the early years of its independence, which became effective in 1946. "During the first five years of independence, the total ran to well over \$1 billion—probably the largest proportionate aid given by one country to another."<sup>5</sup> The

Bell Report<sup>6</sup> in 1952 called attention to many weaknesses in the aid and development programs, due to failings on the part of both the Philippine government and the United States. In the last years of the Elpidio Quirino regime the political situation deteriorated alarmingly, but in 1951 Ramon Magsaysay won election as president, and for three years, until his tragic death in an airplane crash, the Philippines made real progress, including more effective use of American aid.

"The years since Magsaysay have in a sense been an anticlimax," although the new president, Ferdinand Marcos, has pledged to "stop corruption, tax evasion, and other abuses," a seasoned observer of the Philippine scene recently wrote for *Current History*. "From a strictly economic and military standpoint, Americans can be satisfied that their aid program has done the job it set out to do, insofar as any outside aid program can be effective."<sup>7</sup> The Philippines is making a modest military contribution to the effort in Vietnam, and it seems willing to permit the United States to maintain air and naval bases in its territory, in spite of numerous unpleasant incidents and protests.

## AID TO VIETNAM

American aid to South Vietnam has been overshadowed by the magnitude of the American military commitment to that country, involving the presence of over 250,000 American troops and the expenditure of billions of dollars a year; but an aid program has been under way, in various forms, since 1950, and it has totalled some \$5 billion. It began in rather haphazard fashion during the period of the French occupation, essentially as a humanitarian relief program. By 1953, it had become "a major and costly program of military assistance and economic aid." Apparently, American misgivings about supporting the French in Vietnam had been pushed into the background, and the prime concern seemed to be to assist in preventing this strategic area from falling under Communist control. After the French defeat at Dienbienphu and the Geneva Agreement of 1954, the United States embarked on a program of

<sup>4</sup> *Ibid.*, p. 17.

<sup>5</sup> John F. Melby, "The Philippines: A Unique Effort," *Current History*, XLIX (November, 1965), 281.

<sup>6</sup> Issued by a mission headed by Daniel Bell, a former United States under secretary of the Treasury.

<sup>7</sup> See Melby, *op. cit.*, p. 283.

substantial assistance to the new administration in Saigon, headed by Ngo Dinh Diem. "American aid thus became a primary instrument in South Vietnam's struggle for survival, filling as it did the vast gap between the Vietnamese government's capacities and its needs."<sup>8</sup>

Broadly speaking, the objectives of American economic and supporting assistance to South Vietnam are to help this beleaguered nation to deal with its mounting economic problems and hopefully also to contribute to greater political unity and stability. The objectives of the military assistance program are to support and strengthen the armed forces of South Vietnam, in order that these forces will be able, in cooperation with American and other foreign troops, to resist the existing military and subversive threat from the Viet Cong and North Vietnam, and eventually to provide for the security of South Vietnam without the direct intervention of foreign forces. Clearly these objectives have not yet been realized. Almost certainly, however, South Vietnam would now be in economic and political chaos, and perhaps under Communist control, if American economic and military assistance, backed by an increasing military commitment, had not been provided.

In Laos—following an entire decade of external assistance, including some \$327 million of American aid in grants and an undisclosed amount of military aid, mostly allocated to the costs of maintaining the military establishment—"an unstable *de facto* partition exists, with the northern and eastern portions under the Pathet Lao domination and the western areas in the hands of an anti-Communist coalition of neutralists and the conservatives."<sup>9</sup> Again the best thing that can be said is that without American economic and military assistance the situation today would probably have been worse. AID officials have been working under extremely unfavorable conditions. Most United States aid has

been regarded as a handout, and very little economic development is apparent.

According to one chief of the United States operations mission in Cambodia, the American aid program in that country which eventually totalled some \$364 million (\$267 million in grants and \$97 million in military assistance) ended "a relative failure." This was due largely to the vagaries of Cambodian politics, under the direction of the mercurial Prince Norodom Sihanouk, and to "the distortion of an economic aid program to secure political and strategic benefits." An embarrassing instance of an American program which boomeranged is the 130-mile Friendship Highway, connecting the capital of Cambodia, Phnom Penh, with the sea. Built in haste without adequate engineering surveys or advance preparation, this \$32-million highway was rendered impassable after the first monsoon season. "In the meantime, the political and military considerations that were the primary justifications for initiating the project had significantly changed."<sup>10</sup> In November, 1963, Prince Sihanouk, who was becoming increasingly critical of American policy in Vietnam and in world affairs generally, informed the American government that Cambodia would accept no more American aid, and in May, 1965, he severed diplomatic relations with the United States.

Thailand, the one member of SEATO on mainland Southeast Asia, offers a brighter picture, although the country has an authoritarian political structure and is beset with grave problems of internal security and incipient external dangers. Here the substantial American aid program—amounting to well over \$300 million in economic aid and nearly half a billion dollars in military assistance—seems to have been "relatively successful," a definite factor in helping Thailand to deal with its pressing internal and external problems and in cementing good relations between that country and the United States.

Substantial economic assistance is being funneled into the Accelerated Rural Development Program, a joint Thai-American program designed to assist the Thai government

<sup>8</sup> Wesley R. Fishel, "American Aid to Vietnam," *Current History*, XLIX (November, 1965), 295-296, 298.

<sup>9</sup> Alvin Roseman, "Thailand, Laos & Cambodia: A Decade of Aid," *Current History*, XLIX (November, 1965), 272.

<sup>10</sup> *Ibid.*, pp. 275-276.

to strengthen its ties with rural people in six "security sensitive" areas of the northeast and to encourage rural development and local self-government. "The military assistance program is designed to provide the ability to defend against external armed attack as well as subversion and possible insurgency within. It increasingly emphasizes the civic action and counter-insurgency mission of Thai forces while maintaining necessary conventional capabilities of appropriate ground, naval, and air elements."<sup>11</sup>

Large-scale American aid to Indonesia, totaling about \$700 million—\$278 million in economic aid, mostly grants, \$342 million in P.L. 480 food shipments, and \$80 million in military aid—seemed to have little effect in bolstering up the tottering Indonesian economy, or in deterring Sukarno from bold and reckless adventurism at home and abroad. On the whole, the program in Indonesia must be regarded as a failure, although Sukarno's economic and political policies, rather than any serious deficiencies in aid administration or in diplomatic relations, were largely responsible.

In early 1963, the Clay Committee recommended that aid to Indonesia be suspended "unless it puts its internal house in order, provides fair treatment to foreign creditors and enterprises, and refrains from international adventures." Sukarno did none of these things. Instead, he continued to neglect economic realities, cracked down on foreign enterprises, pursued his campaign to "crush Malaysia," and breathed defiance at the United States, which he frequently and publicly invited to "go to hell." As a result, the American aid program in Indonesia was almost completely suspended. But, as the Clay Committee pointed out, "Because of its population, resources and geographic position, [Indonesia] is of special concern to the free

world."<sup>12</sup> If the changes in the political situation in Indonesia in recent months result in sounder economic and political policies, and if the new leaders show an interest in establishing better relations, in all probability American aid will—and should—be resumed, at least on a modest scale.

## REGIONAL PROGRAMS

The United States is on record in favor of greater cooperation in Southeast Asia, and it has pledged substantial assistance to regional development organizations and programs, if they can be developed by the countries of the area. In his Johns Hopkins speech on April 7, 1965, President Johnson pledged the sum of \$1 billion for a massive program of regional development in Southeast Asia. He also announced that Eugene Black, former President of the International Bank for Reconstruction and Development, would be his special representative for Asian development. Shortly thereafter, the President's special assistant for national security affairs organized a working group of representatives from key departments and agencies of the government to consider the first steps in implementing the President's proposal, and an Office of Far Eastern Regional Development was set up in AID. On June 1, 1965, President Johnson asked Congress to appropriate \$89 million for development programs in Southeast Asia.

In all probability, some of this money will be allocated to projects connected with the vast program for the regional development of the Mekong River Basin area. The United States is working closely with the Mekong Development Committee, appointed in 1957, which is associated with the United Nations Economic Commission for Asia and the Far East (E.C.A.F.E.) Black has also announced that the United States is prepared to advance \$200 million of the planned \$1 billion subscription capital for the new Asian Development Bank, and another \$100 million for a proposed Southeast Asian Development Fund, to be administered by the Bank.

Some \$17 billion has been made available

<sup>11</sup> Report of the Special Study Mission, p. 28.

<sup>12</sup> The Scope and Distribution of United States Military and Economic Assistance Programs, Report to the President of the United States from the Committee to Strengthen the Security of the Free World (Washington, D.C.: Department of State, March 20, 1963), pp. 8-9. Herein referred to as the Clay Committee.

to countries of the Far East and Southeast Asia by the United States in the postwar years. This vast amount of aid has undoubtedly contributed to the political survival of weak and threatened nations and to the economic development of most of the recipient countries. The major recipients of both economic and military aid have been the Republic of Korea, the Republic of China, and the Republic of Vietnam. In Korea, one can point to evidences of economic and political progress, but the outlook is still quite uncertain. In Taiwan, the economic progress has been impressive, but the grave political and security problems remain. South Vietnam is a huge question mark, from almost any point of view. In spite of these reservations, however, there is considerable basis for the position taken by the United States administration that real results can be demonstrated.

In South Asia, also, the American aid commitment has been massive, amounting to well over \$10 billion, mainly in the form of grants, loans, P.L. 480 shipments, and military aid, chiefly to Pakistan. For some years India and Pakistan have been carrying on planned programs of economic development. Although targets have not always been met, and although much of the progress shown in the figures has been swallowed up by population increases—in these two countries amounting to more than 13 million a year—the overall results have been encouraging. The major part of the total effort, including the mobilization of the bulk of the resources, has been made by the governments and peoples of the two countries; but foreign aid has provided a substantial part of the desperately needed foreign exchange, without which the development programs would have been severely handicapped.

India's planners now estimate that they will need at least \$8.5 billion in foreign exchange during the period of the fourth five year plan, which began on April 1, 1966. About 35 per cent of this amount will be required to meet interest charges and capital repayments on earlier loans, unless some of these can be postponed. Most of the foreign exchange

will have to be provided by foreign grants and loans. During Pakistan's second five year plan (1960–1965), 43 per cent of the total expenditures—nearly \$2 billion—was provided by foreign aid in grants, loans, and P.L. 480 assistance. During the third plan, launched on July 1, 1965, dependence on foreign aid will be even greater, even though it will be a smaller percentage of total expenditures. In recent years, the international consortia of capital-exporting nations which were organized under the aegis of the World Bank to provide assistance to India and Pakistan—the so-called "Aid to India" and "Aid to Pakistan" clubs—have made available annually approximately \$1.1 billion to India and half a billion dollars to Pakistan, with the United States providing about 40 per cent of the total commitment.

#### MILITARY AID

The United States began a program of military assistance to Pakistan in 1954–1955, and to India after the Chinese attack on that country in October–November, 1962. Military aid to Pakistan is classified, and is buried in the totals for military aid to all the countries of the Near East and South Asia in official United States reports. Apparently it has amounted to about \$2 billion, and has been the major support for modernizing and equipping the Pakistan armed forces. Emergency military aid to India immediately following the Chinese attack was valued at about \$60 million, and further commitments

(Continued on page 52)

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*In the Middle East, as this specialist sees it, "Indubitably United States aid policy has been influenced by Soviet competition." Yet he finds "a substantial measure of genuine altruism" in our aid policies, which, he believes, "may contribute to the success of United States objectives."*

## Aid and Diplomacy in the Middle East

By HALFORD L. HOSKINS  
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FROM TIME TO TIME since early in its existence the United States has performed services abroad that might be classed as foreign aid. While these have varied in character, a vein of altruism can be found in most of them, an indication that the United States was isolated and for the most part free from the threat of foreign danger. World War I worked no great change in the nation's outlook: the world momentarily having been made "safe for democracy," the United States relapsed into something akin to desuetude with respect to world affairs beyond the confines of the Monroe Doctrine.

World War II and its immediate sequel produced wholly different policies. It clearly demonstrated that, because of technological progress and the increase in populations, events in any global sector inevitably would affect situations in others. Consequently, security was no longer a regional matter. With the true character of communism becoming manifest and without visible limits in plans of the Soviet Union for the take-over of countries strategically situated, the United States assumed the preventive role relinquished by other non-Communist powers and undertook to reconstruct its foreign policy to conform to its new responsibilities.

While it became apparent shortly after World War II that immediate action was required to retain Greece and Turkey among the free nations, the realization quickly fol-

lowed that anti-Communist measures, to be effective, must be adaptable to global situations. It was evident that poverty, ignorance and instability were factors most likely to be exploited by totalitarian regimes to the disadvantage of free peoples—a recognition that gave rise to President Harry S. Truman's "bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."

In carrying this proposal into action, the attention of the United States quickly focused on the Middle East, an area once of prime concern to Great Britain and France. Russia had long planned for control of this area. In addition, the United States was concerned with its welfare because of its great strategic importance. It links together the continents of Europe, Asia and Africa, where great-power lines of interest and policy intersect. The importance of direct lines of communication between West and East passing through the Middle East can hardly be overstressed. From this area, also, comes much of the energy—in the form of petroleum—on which the nations of Western Europe depend. The United States thus found ample reason to place assistance to countries of the Middle East high on the priority scale.

While at the outset it was intended to gauge Middle East aid in accordance with the absorptive capacity of each of the countries

served, aid projects tended to escalate in keeping with United States political needs and objectives. Hence, beginning with aid to Greece and Turkey in 1947, further forms of aid accompanied the doctrine of containment of Soviet Russia and later refinements of policy, as containment gave way to deterrence and eventually to competition. As President Truman pointed out in his message to Congress on May 24, 1951, recommending the provision of \$415 million in military aid for Greece, Turkey and Iran and \$125 million in economic aid for other parts of the Middle East and Africa:

There is no simple formula for increasing stability and security in the Middle East. . . . Pressure against the Middle East is unremitting. It can be overcome only by a continued build-up of armed defenses and the fostering of economic development.

United States foreign aid tended to become differentiated as difficult situations emerged from the Soviet-Egyptian arms deal of 1955, the Suez Canal imbroglio of 1956-1957, intervention in Lebanon in 1958, and, more recently, the Arab-Israeli contest over Jordan River waters. Aside from the many forms of private aid employed in the Middle East, the United States government has utilized a number of international channels in addition to its own in attending to the many kinds of need. Aid of one kind or another has been dispensed through nearly every department of the United States government. It is obvious that many of these channels have been developed with little reference to each other, that there has been some overlapping of effort, and that the services rendered have not always meshed closely with United States policy relative to the Middle East area.

<sup>1</sup> The Baghdad Pact set up the Central Treaty Organization (CENTO) to protect the Middle East, which included Turkey, the United Kingdom, Pakistan, Iran, and Iraq (which withdrew in March, 1959).

<sup>2</sup> No one knows exactly what the totals of United States aid may have been in any major area, partly because of the multiplicity of undertakings and datelines by many units of government, partly from differences of opinion as to what expenses are attributable to foreign aid, partly because of the confidential character of certain forms of aid. The figures given here are believed to be sufficiently accurate for illustrative purposes.

## AID TO TURKEY

To a considerable extent, of course, aid programs have been adapted to the needs of the countries served—as these needs were viewed from the United States. Turkey, with its population of more than 30 million, for example, has been regarded primarily as a military mainstay. Its military prowess has been manifested many times. Its geographical position, its willingness to take part in such defensive pacts as NATO and the Baghdad Pact (CENTO),<sup>1</sup> and even its unusual mineral resources all have served to qualify Turkey highly for whatever foreign assistance might be offered.

Naturally, especially in the earlier years, this aid consisted largely of military supplies plus technical assistance. In many respects, however, Turkey is an underdeveloped country and, as the danger of overt attack from the Soviet Union appeared to subside, expert opinion held that Turkey would be unable without other forms of aid to continue with military preparedness and yet achieve a stable and expanding economy. United States economic aid plans were complicated by Turkey's huge foreign debt and particularly by a period of runaway inflation that accompanied the Adnan Menderes regime and the political unrest that followed the overthrow of the government in May, 1960. Nevertheless, in more recent years, the United States has shifted its emphasis to economic aid, even though relations with Turkey have become less cordial.

Although United States aid has risen to a value of about \$4 billion,<sup>2</sup> it has still fallen short of Turkish expectations. Probably more important, Turkey has entered into trade relations with the Soviet Union on an unprecedentedly friendly basis. The Turks, too, seem to have anticipated more positive American support of their efforts on behalf of Turkish elements on the island of Cyprus. Beyond these influences lie the sensitiveness of a proud people and young nation, impatient of leading strings and determined to be completely independent. In such circumstances, the United States finds it extremely difficult to do good well.

## AID TO IRAN

United States interest in extending aid to Iran stemmed from much the same sources as did aid to Turkey—the overall objective being to enable constituted authorities to maintain their independence from outside pressures. Its land bordering the Soviet Union for approximately a thousand miles, Iran was essential to the implementation of the containment concept after World War II. In the early postwar years, Iran anticipated American material aid in quantities which the United States was not prepared to supply, partly because of Iran's patent instability, and partly because of American commitments elsewhere. Credits were provided in restrained amounts, principally for uses of a military nature, but a systematic Iranian aid program was built up only after the unstable and anti-Western dictatorship of Mohammed Mossadegh (1951–1952).

Following the return to authority of Shah Mohammed Reza in August, 1953, the United States promptly gave Iran \$45 million as an emergency grant-in-aid, in addition to \$23.4 million under the technical assistance program. Other special grants followed to enable Iran to put its financial house in order pending receipts from the new international oil consortium. Late in 1955, Iran became a member of the Baghdad Pact, thus further qualifying for Western aid.

While this aid has been conveyed through numerous channels, the principal streams have continued to be military support and economic assistance in almost equal amounts. As oil income has increased, the amount of aid allocated to Iran has been cut back. In 1965, a record year for the oil operating companies, Iran received payments from oil production amounting to \$513.5 million. With a further increase of income in prospect from the industrial use of natural gas, the development of a fertilizer industry, the establishment of iron and steel plants by members of the Communist bloc and an increase in oil production beyond the daily average of more than two million barrels (1965), it would appear that the need for foreign aid in monetary terms might soon cease. This possibility has

been viewed wryly by the Shah, who—in December, 1965—was quoted as saying: "Iran can count on her external friends but should not be dependent on them: sometimes friends let you down." However, various forms of aid have been continued. The total at the end of fiscal year 1964 amounted to approximately \$1,475.7 million with substantial additions since—impressive figures for a country inhabited by no more than 23 million.

Opinions have varied as to what has been accomplished by the investment of so much money in Iran in a brief span of years. Some of the evidence which can be ascribed mainly to United States assistance surely can be viewed with satisfaction, although whether or not these results have been overly high priced depends largely on the criteria of the viewer. Communist influences have been suppressed. Danger of attack from the Soviet Union or from Arab sources has been minimized. The presence of Iran in the Baghdad Pact (CENTO) has given that defensive alliance much of such virtue as it has possessed. Progress may have been made in reducing corruption in government. Internal communications, as represented by road-building, have improved. The average individual income has risen. Law and order can be more generally counted upon.

Nevertheless, a member of the United States Senate Committee on Government Operations, not long ago after an on-the-spot investigation, wondered

whether progress could not have been made faster if the pace of United States aid had not been slower, more carefully planned and accompanied by more desire on the part of Iranians for particular development programs. . . . Those nations which desire to leap must do so of their own free will: they cannot be hand carried by the United States into the 20th century.

## AID TO EGYPT

Probably the most controversial instance in the application of foreign aid has been the Egyptian case. This has not been because of any question as to need. The 28 million Egyptians confined by desert areas to the valley and delta of the Nile, with few resources other than overworked soil, are

held rigidly to a subsistence-level economy. Neither can there be any question as to the desirability of keeping them free from Communist influence, in view of the strategic position of Egypt. Doubts voiced as to the propriety of aid to Egypt have arisen from the behavior of the president of the United Arab Republic, Gamal Abdel Nasser. Counts against him begin with his insistence on Egypt's nonalignment in the international ideological contest and his readiness to accept aid—especially military aid—proffered by the Soviet Union. Objections are supported by Nasser's apparent lack of appreciation of aid from the United States. They stem also from his avowed purpose of destroying Israel and from his hostility to the ruling family of Saudi Arabia. Most of all, they spring from his intervention in Yemeni affairs with the combined object of dominating Yemen, ousting the British from Aden, and extending a measure of control into the oil regions of the Persian Gulf. The argument is strong that grain supplied under U. S. Public Law 480,<sup>3</sup> in generating credits in Egypt, helps Nasser to maintain as many as 70,000 troops in Yemen, to the disadvantage of the free world and at an estimated cost of \$500,000 daily.

United States authorities believe, nevertheless, that while the continuation of aid to Egypt leaves much to be desired, the situation would be appreciably worse if aid were refused entirely. While Egypt is beholden to the Soviet Union for arms and equipment, Communists have been sternly suppressed in Egypt. Even the considerable numbers of Russians brought in to work on the Aswan High Dam have not mingled with Egyptians. Consequently, from small beginnings in post-war relief during the 1946–1948 period, aid to the U.A.R. has continued, with partial interruptions immediately after the Suez Canal crisis in 1956. Loans and grants have figured in this assistance, but the bulk of aid in late years has been given under the terms of Public Law 480. At the end of fiscal year 1964, the total value of this aid, less repayments,

was set at \$888.9 million. The United States now has to decide upon the merits of a request, presented in March, 1966, for loans of some \$100 million for the financing of three development projects in Egypt.

### IRAQ'S POSITION

Iraq, basically one of the wealthiest of Arab states with respect to oil, has required little massive assistance from outside sources. Its need has been less because of the provision, under the monarchy, of 70 per cent annually of oil royalties for the use of a development board in promoting flood control, irrigation, agricultural development, education, and other purposes. With a population of probably no more than five millions, the country's outlook might have appeared to be bright. Such a prospect has been clouded, however, by certain extremely difficult problems for some of which no solution thus far has been found. One-fifth of the otherwise Arabic population consists of Kurds in the northern highlands who have indicated no intention of submitting to the government in Baghdad. Trouble with Iran over navigation rights in the Shaat el Arab also occurs sporadically. More seriously, a degree of illiteracy approaching 95 per cent has handicapped all projects for national improvement and has continued to contribute in numerous ways to governmental instability.

In these circumstances, the effective application of foreign aid has been problematical. As a principal member of the Baghdad Pact, Iraq received technical aid and considerable military assistance. This ceased abruptly in 1958 with the overthrow of the monarchy and the withdrawal of Iraq from the Pact under the irresponsible dictatorship of Abdul Karim Kassim. For the most part, stagnation in national upbuilding has continued since the advent of the milder Abdul Muhammad Arif regime in 1963. The total of United States aid amounted in 1964 to approximately \$101 million.

### AID TO OTHER NATIONS

Other Arab countries in the Middle East differ markedly from one another. Most of

<sup>3</sup> For excerpts of this 1954 legislation setting up the "Food for Peace" program, see page 46 of this issue.

them have suggested that United States aid would be beneficial. Lebanon, the "front porch of the Middle East," with a population in excess of 1.5 million—officially half Christian, half Muslim—depends on Syria for some foodstuffs and for access to countries further east. In recent years, Lebanon has been subjected to pressures from Syria which are believed to have been initiated elsewhere. It was largely because of such pressures, in fact, that warrant was found for American intervention in 1958. Lebanon is a relatively prosperous country, nevertheless. Over a ten-year period ending in 1962, when the continuation of an economic assistance program seemed no longer to be required, the United States had supplied aid valued at \$79.96 million. This assistance had covered as many as 78 separate projects, inclusive of scholarship funds to the American University of Beirut.

In most respects, Jordan is the antithesis of Lebanon. It is an inland state, ruled by a Hashimite dynasty, a byproduct of great-power politics after the breakup of the Ottoman Empire. Except for its West Bank area, which reflects the outcome of the Arab-Israel war, its boundaries are wholly artificial. Situated geographically at the center of the Arab world, Jordan has been exposed to the crosscurrents of inter-Arab rivalries and the acquisitive propensities of adjacent states. Its population of nearly 2 million consists of extremely diverse elements—desert bedouins, agriculturists, and myriads of displaced Palestinians who are now Jordanian citizens. Its Western-oriented princely line has been able to maintain the state as a political entity only through subventions from Great Britain which were assumed by the United States after the Israeli war and supplemented with other forms of foreign aid. While Jordan is a fundamentally poor and troubled land, there can be no doubt that, from free world viewpoints, aid has been amply justified. As of 1964, United States assistance—almost wholly in monetary terms—amounted to \$460.1 million.

Syria represents a marginal case in United States aid to countries in the Middle East. This is due in part to Syria's extreme instabil-

ity, indicated by political coups every few years after the termination of French control in World War II. Moreover, Syria has shown little interest in potential United States aid, partly, it is believed, because of United States activities in neighboring Turkey, with which country Syria has remained on poor terms since the former took over the Hatay enclave with its fine port of Iskanderun (Alexandretta). The part played by the United States in the creation of Israel and in the formation of the Baghdad Pact exacerbated this disfavor. Syria thus has preferred to look for assistance to the Soviet Union. Some United States aid, nevertheless, has been professed and accepted—surplus grain under Public Law 480 in consequence of disastrous droughts in 1958–1960 plus some development loans in the years since. The net value of all forms of aid to the end of fiscal year 1964 amounted to the relatively small sum of \$81.4 million.

Before Saudi Arabian income from oil production reached large proportions, the United States made some grants to Saudi Arabia through agencies that preceded the Agency for International Development. In more recent years, considerable military assistance also has been given, mainly on the basis of repayment. Total grants and loans amounted in 1964 to \$66.1 million net.

Regardless of its domestic and international difficulties, Yemen, too, received aid in terms of grants amounting to \$34.6 million, principally for emergency relief and economic development. The political situation in Yemen has been chaotic since the installation of the republican regime late in 1962, initially approved and more recently sponsored by Egypt.

### ISRAELI AID PROBLEMS

United States aid to Israel, meanwhile, has touched upon some of the most sensitive situations that have arisen in international relations in recent years. Israel is singularly unendowed with natural resources and, considering its announced responsibilities with reference to Jewish elements in other countries, it possesses inadequate habitable space. At the same time, it has both a highly literate popu-

lation and a strong sense of purpose. Consequently, with such unusual absorptive qualities, it has received more United States aid in proportion to its population of 2.5 million, than has been supplied to all the Arab states combined at one time or another. Most of this aid has been rendered in terms of grants and loans for economic development. At the close of fiscal year 1964, total aid, less repayment of loans, stood at \$792.7 million.

While in February, 1965, Secretary of State Dean Rusk announced that it was the continuing policy of the United States to help maintain a military balance of power between Israel and the Arab states, no direct military assistance prior to that time had been given the latter. The United States had regarded with approval, however, the transfer to Israel of some American-manufactured military hardware, tanks in particular, by the West German government. Shortly afterward, the Bonn government felt compelled to cut off military aid to Israel in order to forestall the official recognition of Communist East Germany by the United Arab Republic. In consequence of an Israeli appeal to the United States for direct military assistance and in view of arms supplied by the Soviet Union to Syria, Iraq and the United Arab Republic to the value of more than \$1 billion since 1956, a fundamental shift in United States policy was made. In February, 1966, it was disclosed that tanks were being sold to Israel—other armament, such as supersonic fighter planes and antiaircraft missiles, having been sold to Saudi Arabia and tanks having been supplied to Jordan. It would appear that within the sphere of foreign aid, the United States still hopes to maintain something of an arms balance in the Middle East.

As time passes, questions inevitably arise as to the character, objectives and results of aid supplied to underdeveloped countries by the United States. Have there been "strings" attached to aid applied to countries in the Middle East? Has this assistance been influenced in area, in quantity, in kind, by Com-

\* From "The Role of Foreign Aid in the Development of Other Countries," a study by the Research Center in Economic Development and Social Change of the University of Chicago.

munist policy—that of the Soviet Union, in particular? To what extent has it "paid off" in results? Available answers to such queries are not always specific, although findings thus far make it possible to draw some fairly satisfactory conclusions. Of course there have been "strings" attached to foreign aid. This is implicit in an excerpt from one of the several studies in this field:

If an appraisal is to be made of the foreign aid program in its relation to the American national interest, we must emphasize the security interest above all others. . . . A comprehensive and sustained program of American assistance, aimed at helping the underdeveloped countries to create within the next two or three decades the conditions of self-sustained growth, can reduce substantially the danger of conflict arising out of attempts by countries within the Soviet orbit to penetrate into areas where they suspect power vacuums.<sup>4</sup>

Indubitably United States aid policy has been influenced by Soviet competition. The Middle East has been the principal area of Soviet foreign aid activity, calculated with reference not only to political objectives but to economic advantage as well. Nonetheless, because of the availability of assistance from the United States, most of the underdeveloped states of the Middle East have found Soviet aid somewhat less than vital to the fulfillment of their needs. In the longer run, the substantial measure of genuine altruism accompanying United States aid, while neither professed by the donor nor acknowledged by the recipients, may contribute more to the success of United States objectives than national self-interest possibly could alone.

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*"For the richest country of the world," comments this specialist, "we seem to be sharing relatively little." As he evaluates the current reduction of our aid in Africa, he warns that "actually, the reduction of aid is due not to the lack of 'absorptive capacity' of African countries, but to a lack of will and commitment on the part of the United States."*

## U.S. Aid in Africa

By DARRELL RANDALL

*Chairman, Africa Area Studies Program, American University*

AFRICA IS A vast area, whose human and natural resources have long been sought by the outside world. The extent of its natural resources is gradually becoming known, as resource surveys are made both by the new independent nations and by private speculators from overseas who seek concession privileges for future development. It is not only the natural resources of Africa which are sought by the modern world—Africa now has the largest number of national votes in the United Nations.

Outside powers once found ways of conquering, plundering, or dominating Africa for their own interests. Now these powers seek the cooperation and goodwill of the African independent national elites who govern these areas. The powers include not only the traditional European colonial powers, but also the Soviet Union, China and the United States. Other smaller nations with particular interests which are finding important stakes in Africa include Israel, the United Arab Republic and Nationalist China. These interests are reflected in aid to Africa.

Other interests concerned with Africa include various religious and other ideological groups which seek to enlarge their constituent memberships and alleviate what are considered to be obvious human needs. Even

during the age of plunder and colonial settlement, there were those who sought to meet human needs and to oppose what were considered to be human injustices. The history of Africa would be incomplete without considering the role of the Christian missionaries, slave abolitionists and others who not only sought the freedom of Africans from the injustices of slavery but also sought their freedom from imperialism. Enlightened business personnel and government administrators saw that it was in their interest to allow and even to encourage the humanitarians, despite the fact that the latter frequently found it necessary to align themselves with the native peoples against otherwise unrestrained foreign economic and political interests.

The first United States aid to Africa was related to the establishment of Liberia. Aid began soon after the American Revolution and was motivated by people who wanted to solve a race problem by returning freed Negro slaves to Africa. The pioneers of economic assistance for Africa from the United States were Christian missionaries.

In more modern times, following the early missionary explorer Dr. David Livingstone, others have taken an interest in Africa. Doctors, nurses, engineers and other technically trained people, along with thousands of teachers, were sent by different Christian denominations to serve people in almost every country of Africa during the past century.<sup>1</sup> Almost every African leader today, especially

<sup>1</sup> This record is available in many different books. A recent book is: I. W. Moomaw, *Crusade Against Hunger—The Dramatic Story of the World-Wide Antipoverty Crusades of the Churches* (New York: Harper & Row, 1966).

south of the Sahara, received his early education in a Christian mission school, or from teachers who were first educated in a mission school. Most of the health centers and hospitals in Africa were started by Christian missionaries. It has only been in recent years that governments, businesses, and other agencies have taken initiative to provide these services for the African people. One incomplete report listed 6,827 American mission service personnel in Africa in 1963, with expenditures of over \$31 million.<sup>2</sup> This included services in hospitals, schools, agricultural projects, community development programs, and other institutions.

Serious United States government involvement in foreign aid in Africa is relatively recent. So long as most of Africa was controlled by European colonial interests, it was not considered appropriate for the United States to intervene in the development problems of Africa. In the few areas which were open, such as in Egypt, Liberia and Ethiopia, United States economic aid was small.

It was not until after the rapid emergence of independent African nations during the last ten years that the United States took a

<sup>2</sup> See R. D. Gatewood, *Some American Protestant Contributions to the Welfare of African Countries in 1963* (New York: National Council of Churches, 1964).

<sup>3</sup> Department of State, Agency for International Development, *U.S. Overseas Loans and Grants, July 1, 1945-June 30, 1964*, Special Report Prepared for the House Foreign Affairs Committee by the Statistics and Reports Division of AID, March 3, 1965.

<sup>4</sup> Department of State Publication 7710, *The United States and Africa*, July, 1964, pp. 3-4.

<sup>5</sup> This includes the U.A.R., which is not ordinarily included in the Africa-United States assistance statistics.

<sup>6</sup> This sum has been obtained from a combination of the data for Africa and the U.A.R. in the following official publications: AID, *U.S. Overseas Loans and Grants July 1, 1945-June 30, 1964; The Foreign Assistance Program*, Annual Report to the Congress for the Fiscal Year 1965 from President Lyndon B. Johnson, January, 1966.

<sup>7</sup> The total of grants has been compiled from the reports above combined with the total of the Food for Peace allocation for Africa during fiscal 1965, which was obtained by the writer from the State Department.

<sup>8</sup> These figures were obtained by combining the Africa with the U.A.R. figures from the following reports: AID, *U.S. Economic Assistance Programs 1948-1964*, March 5, 1965, pp. 23, 49; and *U.S. Foreign Aid in Africa* (undated, but released in 1966), p. 4.

serious interest in African economic assistance. Economic assistance began to grow gradually from a very small amount in 1956 to a peak of about \$300 million in 1962.<sup>3</sup> But since 1962, there have been cutbacks—not because of less need in Africa, but because of the general decline of United States public interest in world economic aid.

### U.S. OBJECTIVES IN AFRICA

The Department of State has listed three main objectives of U.S. policy in Africa:

1. To help Africa develop stable and independent nations able to make their own unique contributions to the world community.

2. To help the governments of Africa work to meet the legitimate aspirations of their peoples for a better life.

3. To help the peoples of Africa develop free societies and institutions in harmony with their own beliefs and cultures.<sup>4</sup>

United States assistance to Africa can be considered to include not only direct United States government grants and loans, but also United States participation in the United Nations, the World Bank, programs of Christian missions and other religious groups, foundations and other international agencies.

While these other forms of economic assistance to Africa have been very important, the main emphasis of this survey of United States aid to Africa will be United States government assistance, including the grants and loans of the Agency for International Development and its predecessor agencies, the "Food for Peace," the Export-Import Bank, the military assistance program, the Peace Corps and other programs.

The total United States government aid to Africa<sup>5</sup> from 1946 to the end of the 1965 fiscal year, has amounted to over \$4 billion.<sup>6</sup> Loans have totaled \$1.9 billion. Payments and interest have amounted to \$.3 billion, leaving a net balance of \$1.6 billion in United States government loans outstanding at the end of 1965. Grants have totaled \$2.2 billion, of which military assistance has been about \$.2 billion, leaving a balance of about \$2 billion in economic grants since 1946.<sup>7</sup>

AID programs in Africa totaled<sup>8</sup> \$356 million in 1962, \$307 million in 1963, and \$202

**TABLE A—U.S. AID PROGRAM COMMITMENTS IN AFRICA  
IN FISCAL YEAR 1965\***  
**(not including food grants or military assistance)**  
**(in thousands of dollars)**

| Country                      | Total†     | Appropriation category |                          |                          |
|------------------------------|------------|------------------------|--------------------------|--------------------------|
|                              |            | Development<br>Loans   | Supporting<br>Assistance | Technical<br>Cooperation |
| Total .....                  | \$166,256† | \$46,100               | \$36,985                 | \$83,027                 |
| Algeria .....                | 732        | ....                   | ....                     | 732                      |
| Burundi .....                | 391        | ....                   | ....                     | 391                      |
| Cameroon .....               | 5,366      | 3,200                  | ....                     | 2,166                    |
| Central African Republic ... | 733        | ....                   | ....                     | 733                      |
| Chad .....                   | 1,065      | ....                   | ....                     | 1,065                    |
| Congo (Brazzaville) .....    | 52         | ....                   | ....                     | 52                       |
| Congo (Leopoldville) .....   | 16,544     | ....                   | 15,000                   | 1,544                    |
| Dahomey .....                | 583        | ....                   | ....                     | 583                      |
| Ethiopia .....               | 9,176      | ....                   | 3,000                    | 6,176                    |
| Gabon .....                  | 785        | ....                   | ....                     | 785                      |
| Gambia .....                 | 89         | ....                   | ....                     | 89                       |
| Ghana .....                  | 1,212      | ....                   | ....                     | 1,212                    |
| Guinea .....                 | 14,078     | 2,400                  | 7,060                    | 4,618                    |
| Ivory Coast .....            | 171        | ....                   | ....                     | 171                      |
| Kenya .....                  | 4,221      | 550                    | ....                     | 3,671                    |
| Liberia .....                | 16,053     | 9,300                  | ....                     | 6,753                    |
| Libya .....                  | 347        | ....                   | ....                     | 347                      |
| Madagascar Republic .....    | 3,849      | 2,700                  | ....                     | 1,149                    |
| Malawi .....                 | 2,074      | ....                   | ....                     | 2,074                    |
| Mali, Republic of .....      | 1,155      | ....                   | ....                     | 1,155                    |
| Mauritania .....             | 47         | ....                   | ....                     | 47                       |
| Morocco .....                | 11,080     | ....                   | 10,000                   | 1,080                    |
| Niger .....                  | 1,188      | ....                   | ....                     | 1,188                    |
| Nigeria .....                | 27,604     | 10,400                 | ....                     | 17,204                   |
| Rwanda .....                 | 78         | ....                   | ....                     | 78                       |
| Senegal .....                | 98         | ....                   | ....                     | 98                       |
| Sierra Leone .....           | 1,874      | ....                   | ....                     | 1,874                    |
| Somali Republic .....        | 4,888      | 600                    | ....                     | 4,288                    |
| Sudan .....                  | 3,086      | ....                   | ....                     | 3,086                    |
| Tanzania .....               | 2,199      | 200                    | ....                     | 1,999                    |
| Togo .....                   | 701        | ....                   | ....                     | 701                      |
| Tunisia .....                | 18,405†    | 16,750                 | ....                     | 1,511                    |
| Uganda .....                 | 1,978      | ....                   | ....                     | 1,978                    |
| United Arab Republic .....   | 2,329      | ....                   | ....                     | 2,329                    |
| Upper Volta .....            | 468        | ....                   | ....                     | 468                      |
| Zambia .....                 | 855        | ....                   | ....                     | 855                      |
| East Africa regional .....   | 1,681      | ....                   | ....                     | 1,681                    |
| Other regional .....         | 9,023      | ....                   | 1,925                    | 7,098                    |

\* Source: *The Foreign Assistance Program*, Annual Report to the Congress, FY 1965, pp. 29, 52. Note: U.A.R. technical cooperation allocation of \$2,329,000 is included with the total funds for Africa.

† Grand total and Tunisian total include a \$144,000 contingency fund commitment.

million in 1964. AID program commitments in Africa for fiscal 1965 were \$166 million.<sup>9</sup>

<sup>9</sup> This includes both the Africa regional and U.A.R. data from Lyndon Johnson, *The Foreign Assistance Program*, pp. 29, 52.

<sup>10</sup> AID, *U.S. Foreign Aid in Africa*, p. 4.

For the fiscal year 1966 the United States Agency for International Development (AID) proposed a total of \$218 million in economic assistance for Africa.<sup>10</sup> This does not include the Food for Peace program or,

as it is now being called, Food for Freedom. At this writing, it is too early to report on the action of the present Congress. There is no doubt, however, that since 1962 Congress has been appropriating smaller amounts for economic assistance for Africa. A study of Table A shows the allocation of U. S. AID program commitments in Africa in the fiscal year 1965.<sup>11</sup>

Of the \$4 billion in total United States assistance reported above for Africa, about \$1 billion has been for the United Arab Republic. \$745 million of this was from the Food for Peace program. The total United States AID assistance for the U.A.R. in 1965 was only \$2.3 million plus \$39.9 million from the Food for Peace program, a total of \$42.2 million.<sup>12</sup>

The United Arab Republic statistics are usually reported not with Africa, but with the Near East and the South Asian region, in United States official reports. When the U.A.R. aid statistics are identified, the U.A.R. can be seen to be the largest recipient of total American aid in Africa, if both AID and food assistance are included. While the 1965 allocation for the U.A.R. is still the largest for all of Africa (both AID and food assistance combined), the trend of United States economic assistance to the U.A.R. has been definitely downward.

The one billion dollar total of economic aid and food assistance to the United Arab Republic over the past years is large compared with the rest of Africa. But the comparison with Israel is more to the point, since a larger amount of AID and food assistance has been authorized for Israel.

<sup>11</sup> A very comprehensive analysis of former years has been published in: "U.S. Economic Aid in Africa, 1950-64," *Africa Report*, December, 1964, Vol. 9, No. 11, pp. 8-12. Another very valuable analysis has been made by: Goran Ohlin, *Foreign Aid Policies Reconsidered* (Paris: Development Centre of the Organization for Economic Co-Operation and Development, 1966). This is also available from the OECD Publications Center, Suite 1305, 1750 Pennsylvania Ave., N.W., Washington, D.C., 20006, for \$2.50.

<sup>12</sup> See AID, *U.S. Overseas Loans and Grants*, pp. 22, 72; Lyndon Johnson, *The Foreign Assistance Program*, pp. 29, 52. This information needs to be combined with the latest report of the Food for Peace allocation to the U.A.R., mentioned above.

United States AID assistance in 1965 went to 35 other African countries besides the U.A.R. Two-thirds of the total amount went to the following seven countries: Nigeria, Tunisia, Congo (Leopoldville), Liberia, Guinea, Morocco and Ethiopia. A separate drama is taking place in each of these countries, which influences AID amounts and programs, but details cannot be included in this short survey. It is important to point out, however, that the United States has made major commitments to support the general development plans both of Nigeria and of Tunisia.

## FOOD AND AGRICULTURE

As can be seen from a study of Table B and Table C, the major emphasis of present United States technical assistance for Africa is in the field of food production and agriculture. Africa, which before World War II was a net food exporting area, has now become a net food importing area. This is a serious problem, and the United States has much technical knowledge to share with the African countries.

It has long been stressed that the poor peoples who have been traditionally dependent on the land for subsistence should focus on the improvement of agriculture. When farmers can produce enough food and other products for a surplus for sale, it is contended that they can buy what products they want from the modernized cities and other countries. But where Africans have been able to increase their agricultural production, the world market value of their main export crops has been declining seriously. This dependence on the production of primary products has not usually been sufficient to raise per capita income.

In observing the emphasis which governments are giving to improvement of agriculture, Barbara Ward says,

... this sensible shift of emphasis does not make industrialization any less essential. All developing countries need to break from their total dependence on primary exports. All are, by definition, under-industrialized. The problem is to pick the right types of activity.

**TABLE B—TECHNICAL COOPERATION GRANTS IN AFRICA, 1965\***  
(in millions of dollars)

| Field of activity           | Technical cooperation grants | Field of activity                              | Technical cooperation grants |
|-----------------------------|------------------------------|--|------------------------------|
| Food and agriculture .....  | \$21.1                       | Community development and social welfare ..... | \$ 1.1                       |
| Industry and mining .....   | 2.4                          | Housing .....                                  | .3                           |
| Transportation .....        | 5.8                          | Private enterprise promotion .....             | 1.3                          |
| Labor .....                 | .3                           | General and miscellaneous .....                | 6.7                          |
| Health and sanitation ..... | 4.2                          | Technical support .....                        | 8.6                          |
| Education .....             | 20.6                         | Total .....                                    | \$80.7                       |
| Public administration ..... | 5.2                          |  |                              |
| Public safety .....         | 3.1                          |  |                              |

\* Source: *The Foreign Assistance Program*, Annual Report to Congress FY 1965, p. 53.

**TABLE C—AID-FINANCED TECHNICIANS IN AFRICA\***  
Contract and U.S. Government Employees  
(as of June 30, 1965)

| Field of Activity                       | Government employees† | Contract employees‡† |
|---|-----------------------|----------------------|
| Food and agriculture .....              | 224                   | 108                  |
| Industry and mining .....               | 48                    | 28                   |
| Transportation .....                    | 19                    | 64                   |
| Labor .....                             | 2                     | ...                  |
| Health and sanitation .....             | 40                    | 8                    |
| Education .....                         | 56                    | 460                  |
| Public safety .....                     | 33                    | 1                    |
| Public administration .....             | 10                    | 16                   |
| Community development and housing ..... | 23                    | 4                    |
| Private enterprise .....                | †††                   | 12                   |
| Technical support .....                 | 142                   | ...                  |
| Other .....                             | 47                    | 31                   |
| Total .....                             | 644                   | 732                  |

† U.S. nationals paid from program funds.

‡ U.S. citizens in positions identified in AID-financed contracts.

†† U.S. Government employees in private enterprise activities are distributed among the other technical fields of activity; e.g., agriculture, industry and housing.

\* Source: *The Foreign Assistance Program*, Annual Report to Congress FY 1965, p. 53.

In country after country in the last five years, the effect of economic aid has been very largely nullified by the steady fall in what the nations could earn by their primary exports and as steady a rise in the price of manufactures they import.

... A developing nation's first alternatives to primary exports—cheap textiles and semi-processed goods—are limited by Western quotas and differential tariffs.

There are suggestions that the developed nations should take off all internal taxes on tropical products and permit "one-way free trade" in them. They might also "vacate" certain fields—some kinds of cheap textiles, for instance,

or competitive products such as soya bean or beet sugar—in favor of increased imports. In short, policies are available. What is unsure is the political will to adopt them.<sup>13</sup>

There is the need not only to encourage the development of agriculture in Africa, but also the need to facilitate the development of other forms of production—even if they compete with established enterprises within the more highly developed countries.

#### PEACE CORPS IN AFRICA

The Peace Corps is America's distinctive economic aid symbol in Africa—a most important link between Africa and the people

<sup>13</sup> Barbara Ward, "Foreign Aid: Strategy or Stopgap?", *Foreign Affairs*, Oct., 1962, pp. 96-98.

in every state of our country where volunteers for Africa have been recruited. As of April 15, 1966, there were 4,029 Peace Corps volunteers in Africa; 792 were in Nigeria, 577 were in Ethiopia, 402 were in Liberia, and 393 were in Tanzania. The rest were distributed among 15 other African countries.<sup>14</sup>

The Peace Corps program is administered directly under the President of the United States, and is not financed through the AID program which is administered through the Department of State. The recipient African countries negotiate agreements for receiving United States Peace Corps volunteers. It is not commonly known that some African countries make substantial payments towards the support and salaries of Peace Corps volunteers. The countries which contribute the most per volunteer towards the support of United States Peace Corps programs are Uganda, Kenya, Ghana and Tanzania.

While a few individual Peace Corps members have been sent home, in no country of Africa has the Peace Corps program been expelled. In each country where Peace Corps programs have been established, there has been a request for more volunteers. Some countries where Peace Corps programs have not yet been developed are negotiating for programs. This speaks for itself. The further expansion of the Peace Corps program in Africa depends on the African countries' individual requests for the services of available and qualified volunteers.

## MILITARY ASSISTANCE

In fiscal 1965, U. S. military assistance grants totaling \$29.4 million were provided to 11 African countries. Although the United States contributed \$7,015,000 in 1965 to the Congo (Leopoldville), where a serious military and political crisis has continued, the largest amount was reported for Ethiopia—

<sup>14</sup> These statistics were obtained from the Peace Corps headquarters, Washington, D.C.

<sup>15</sup> Those who are concerned with economic aid and development in Africa will find somber reading in: John J. Johnson, ed., *The Role of the Military in Underdeveloped Countries* (New Jersey: Princeton University Press, 1962).

<sup>16</sup> Lyndon Johnson, *The Foreign Assistance Program*, p. 19.

**TABLE D—U.S. MILITARY ASSISTANCE PROGRAM IN AFRICA FOR FISCAL 1965\***

|                      |              |
|----------------------|--------------|
| Congo (Leopoldville) | \$ 7,015,000 |
| Ethiopia             | 10,015,000   |
| Guinea               | 756,000      |
| Liberia              | 1,283,000    |
| Libya                | 2,461,000    |
| Mali                 | 566,000      |
| Morocco              | 5,920,000    |
| Nigeria              | 383,000      |
| Senegal              | 306,000      |
| Tunisia              | 339,000      |
| Upper Volta          | 8,000        |
| Africa Area Programs | 339,000      |
| Total . . . . .      | \$29,391,000 |

\*Source: *The Foreign Assistance Program*, Annual Report to the Congress, Fiscal Year 1965, pp. 69-70.

\$10,015,000. (This was larger than the 1965 economic AID commitments to Ethiopia.)

While this writer does not claim to be a specialist in the field of United States military assistance, it is evident that a drama is going on in each of these countries which is affecting United States military assistance. With the current frequency of military coups in Africa, it may be expected that the military budgets of African governments may rise in the near future, as African military officers bargain with politicians.

The question may be raised: Will Africa follow the military trend of Latin America?<sup>15</sup> Conditions in Africa may or may not be duplicated from or similar to those of Latin America, where economic and political interest groups have solicited support in Washington for their own projects. Such pressures may also complicate the planning of an adequate development program in Africa.

A major objective of economic aid is manpower development. African countries are in need of manpower for their wide range of personnel—from general education to technical and managerial leadership, as well as for administration.

About 20 per cent of the United States AID-financed technicians throughout the world are working in the field of education, and 516 of the 1,251 AID-financed educators in 1965 were concentrated in Africa.<sup>16</sup>

These AID-financed educators are mainly from American universities and colleges, with which AID contracts to provide technical assistance.

Many African universities have received assistance under this program. United States AID-financed faculty and other educational experts are contracted to assist in the development of existing or new university programs.

African countries have been launching into major programs for mass education, thereby committing a major share of their limited financial resources. One of the most common appeals of politicians is to promise expansion of free education. Then it becomes a burden for the government to acquire the financial resources and trained personnel to fulfill such commitments. This usually leads to appeals for outside financial aid.

In the consideration of the grants and allocation of resources, decisions have to be made between an allocation which will satisfy political demands (such as universal education for all children of school age), and an allocation according to a staged priority which may be geared to facilitating economic development as soon as possible with the hope that future educational and other services may be supported more quickly.

As Frederick Harbison has pointed out: "investment in education can be unproductive as well as productive."

Certain kinds of education stimulate social, economic, and political advancement. On the other hand, education which is unrelated to development needs may lead to political instability, unemployment, and frustration, and thus become a drag on programs.<sup>17</sup>

## MANPOWER RETENTION

After Africans acquire technical and other special training, there is the problem of paying sufficient salaries and wages to retain their services. Doctors, engineers, and other specialized personnel can frequently find more remunerative income by working in more developed countries that can offer

higher salaries for trained personnel. An examination of the immigration lists for citizenship in the United States reveals the growing magnitude of this problem. While liberalized immigration legislation makes it possible for hospitals, educational institutions, and private enterprise in the United States to acquire trained personnel in short supply, it has the effect of a capital transfer from the poor country to the rich country.

This is not to suggest that restrictions be imposed to prevent a normal flow of individuals seeking to improve their personal situations, but it does reveal an embarrassing aspect of the international manpower problem which calls for further economic aid. In an effort to alleviate this problem, the governments of African countries and the United States cooperate in efforts to make educational scholarships conditional on specific commitments for the recipients to return to their home country for at least a minimum period of service.

Aid programs are usually geared to selective sectors of education and manpower development. For instance, substantial emphasis of United States educational assistance to African countries is in secondary school teacher training, agricultural demonstration programs, administrative leadership training programs, and other technical services. The basic problem is to facilitate the support of trained personnel in an African country on a level sufficient to retain the needed services. When this level approaches that which is attainable in the developed countries it contributes to a situation in which impatient and impoverished people sometimes resent the conspicuous consumption of trained personnel whom they eventually compare with the most extravagant colonialists whom they hated.

## A CRITICAL ASSESSMENT

A visitor to United States AID and other United States assistance projects in Africa is impressed by the high motivation and dedication of most of the personnel serving in Africa. Nonetheless, criticism may be directed at United States policies which provide inadequate appropriations, and United

<sup>17</sup> Frederick Harbison, "The African University and Human Resource Development," *The Journal of Modern Africa Studies*, Vol. 3, No. 1, 1965, p. 53.

States trade restrictions which conflict with a genuine international development. These policies, which affect Africa, are related to other policies concerned with American global interests and responsibilities.

Two-thirds of all international development assistance in the world comes from the United States. This is commendable, but Africa does not get a very large share, because Africa is not yet considered seriously important in the overall United States economic assistance perspective. European countries, especially France and the United Kingdom, have been doing more in economic aid for Africa, by far, than the United States. As mentioned in the current report of the Agency for International Development, "the major responsibility for development aid in much of Africa is carried by the Western European powers."<sup>18</sup>

The allocation of United States AID for Africa in 1965 (\$166 million) amounted to about 85 cents per person from the United States, and this amounted to about 75 cents per person in the African countries receiving aid, varying widely from country to country.

#### **U.S. "GENEROSITY"**

While the so-called generosity of the United States reached the dimension of two per cent of our GNP in 1949 under the Marshall Plan, at present official economic assistance amounts to one-third of one per cent of our GNP. For the richest country of the world, we seem to be sharing relatively little. Africans are not impressed by American commitments for war expenditures in Southeast Asia, commitments of funds for space ventures, and our generally high military appropriations—averaging more than half our national government budget—as reasons for cutting back or slowing down the effort needed to help build viable economies in Africa.

The so-called "absorptive capacity" of Africa as an excuse for the relatively low appropriations for United States economic assistance is questionable. There are a few areas in Africa where more assistance and capital would not facilitate development.

Actually, the reduction of aid is due not to the lack of "absorptive capacity" of African countries, but to a lack of will and commitment on the part of the United States.

American reluctance to facilitate development in line with the African concept of African socialism is a basic problem. This cannot be elaborated here, but it is appropriate to point out that every African country provides legal protection and safeguards for private enterprise and foreign investment when such enterprise and investment are found to contribute to the overall development of their country. Each African country, further, has what can be called a mixed economy. Most of the economy is in the private sector, and part of the economy is in the public sector. African government involvement in productive enterprises has usually been the result of historical experience. Often there has been serious lag in private initiative to start an enterprise needed for employment and development, or there have been serious grievances about exploitation and lack of concern for the overall development needs of the people.

Africans are trying to accomplish a great deal in a hurry. They must, or they will see revolutionary ferment grow among their peoples. An adequate magnitude and quality of economic assistance for Africa will require sacrifice and some readjustments in our own economy. But this can be considered the obligation of sharing a small planet in peace.

Darrell Randall has been interested in African studies since 1946, at which time he was appointed special representative for the Methodist Board of Missions in the Congo and Southern Africa. In 1957, he began serving in an executive capacity in the international department of the National Council of Churches and joined The American University faculty in 1961. A frequent traveller to Africa, he is now the Africa Program Director for a study tour conducted by the Association of Colleges for International-Intercultural Studies.

<sup>18</sup> AID, *U.S. Foreign Aid in Africa*, p. 1.

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*In his analysis of the United States aid programs in Latin America, and of the criticisms these programs have met, this observer makes the point that "It is self-evident that aid for the purpose of economic development will contribute to economic and social change; but it is a non sequitur to conclude that change and unrest will pave the way for communism. All the evidence we have on this subject points in the opposite direction."*

## Latin America: Focus For U.S. Aid

By JOSEPH S. TULCHIN  
*Instructor in Latin American Affairs, Yale University*

UNDER THE PRESSURE of serious balance-of-payments difficulties and the cost of the war in Vietnam, the United States has reduced the size of its foreign aid program. President Lyndon Johnson's basic request of Congress for \$3.38 billion—for the year beginning July 1, 1966—is the smallest in the 18 years since substantial foreign aid became a permanent part of American foreign policy. Of this, the President has asked Congress to appropriate \$850 million for development loans and technical assistance to Latin America. He has also attempted to assure the nations of the hemisphere of the continuity of United States financial assistance by including a provision in the Foreign Assistance Act of 1966 authorizing up to \$850 million a year for the Alliance for Progress for the next five years, although specific appropriations for each year must still be approved by separate legislation.

The economic development of Latin America did not become an objective of United States policy until 1960. Prior to that date United States aid to Latin America had been in the form of military and technical assistance and financial credits to individual countries to help them weather temporary crises. Such aid began in 1940 with a congressional act increasing the funds of the Export-Import Bank from \$200 million to \$700 million to

assist in the "stabilizing of the economies and the orderly marketing of the products of the Western Hemisphere." The measure was a move by President Franklin Roosevelt to insulate the Western Hemisphere from the effects of the war in Europe. To encourage inter-American cooperation and to ease the losses caused by the dislocation of trade with Europe, Roosevelt hoped to extend the benefits of the New Deal to the entire hemisphere. However, the United States was then drawn into the war and the enormous demands on our own economy made it impossible to satisfy Latin America's economic needs as well.

World War II did serve to enlarge trade and commerce between North and South America. United States imports from Latin America reached \$2,168 million in 1947 and \$2,352 million in 1948, as compared with a yearly average of \$553 million from 1936 to 1940. Exports to Latin America from this country amounted to \$3,858 million in 1947. Total United States private investments in Latin America amounted to \$4,009 million in 1946 and increased to nearly \$12,190 million by 1962.

After World War II, the United States returned to its previous concept of hemispheric security and concentrated its funds in military aid for Latin America. Preoccupied with

European recovery, it paid little attention to its neighbors. Foreign policy makers in the Truman administration thought that United States interests in Latin America would be served best by stability, which hopefully would protect the hemisphere from the spread of communism. As a result, the military and economic assistance programs were designed to keep the hemisphere economically and politically stable. Both the Harry S. Truman and the Dwight D. Eisenhower administrations demonstrated that they prized fervid anti-communism above support of political democracy, economic development and social progress.

Nonmilitary aid in Latin America did not exceed military aid until 1953, when the International Cooperation Administration began to function. Even then, technical cooperation was only a small fraction of the total non-military aid. The majority of the funds were used for financial credits and gifts of surplus food to tide various nations over periods of severe crisis. Since 1960, military aid has increased, but it has fallen sharply as a percentage of total aid. Table I compares military aid in Latin America with nonmilitary aid during the twenty years since World War II, and shows the funds committed to technical cooperation in the same period.

### SCANT ATTENTION

It is certainly true that scant attention was paid to Latin America in the late 1940's and early 1950's. When the Latin Americans raised economic and social issues at inter-American conferences, United States delegates merely called for an end to debate, or listened and refused to act. For Latin Americans, the ultimate indignity occurred at the Tenth Inter-American Conference, held in Caracas in 1954. Secretary of State John Foster Dulles attended the opening session and remained only long enough to get the assembled delegates to accept a resolution against Communist activities in the hemi-

<sup>1</sup> Even President Eisenhower's brother Milton has admitted that the United States gave very little attention to Latin America during the 1950's. See Milton Eisenhower, *The Wine Is Bitter* (New York: Doubleday, 1963).

TABLE I: U.S. AID TO LATIN AMERICA  
1945-1964  
(in millions of dollars)\*

| Year | Military Aid | Non-military Aid (total) | Technical Co-operation |
|------|--------------|--------------------------|------------------------|
| 1945 | ↑            | ↑                        | ..                     |
| 1946 | 235          | 16                       | 7.4                    |
| 1947 |              |                          | 6.7                    |
| 1948 | ↓            | ↓                        | 7.4                    |
| 1949 | ..           | 64                       | 4.0                    |
| 1950 | ..           | 38                       | 4.6                    |
| 1951 | 64           | 32                       | 5.8                    |
| 1952 | 60           | 31                       | 20.3                   |
| 1953 | 34           | 35.5                     | 18.5                   |
| 1954 | 47           | 56                       | 24.3                   |
| 1955 | 30           | 125                      | 27.3                   |
| 1956 | 56           | 170                      | 28.0                   |
| 1957 | 66           | 263                      | 29.7                   |
| 1958 | 71           | 573                      | 29.8                   |
| 1959 | 59           | 382                      | 34.3                   |
| 1960 | 60           | 224                      | 40.0                   |
| 1961 | 57           | 898                      | ..                     |
| 1962 | 71           | 701                      | ..                     |
| 1963 | 70           | 831                      | ..                     |
| 1964 | 70           | 831                      | ..                     |

\* Source: *Statistical Abstract of the United States*, 1960; and International Cooperation Administration, *Operations Report*, 1964. The figures for technical cooperation are greater than total nonmilitary aid in the 1945-1948 period as certain forms of military aid were considered technical cooperation.

sphere—a resolution which Dulles wanted to use to help overthrow the Jacobo Arbenz Guzmán government in Guatemala. Once this was accomplished, Dulles returned to Washington without even listening to Latin American requests for cooperation to further the economic growth of the hemisphere.<sup>1</sup>

The United States was shocked out of its complacency in 1958 when Vice-President Richard Nixon was stoned and spat upon while visiting Venezuela. This incident was the catalyst for changes in United States policy. First, the Eisenhower administration acquiesced in the creation of a Special Committee to Study the Formulation of New Measures for Economic Cooperation and an Inter-American Development Bank (the I.D.B.), which the Latin Americans had been requesting since World War II. In turning to positive steps, President Eisenhower asked for an increase in the lending authority of the Export-Import Bank, an increase in the re-

sources of the recently-created Development Loan Fund, and an increase in the United States contribution to the International Monetary Fund and to the World Bank. Finally, in July, 1960, he called upon Congress to authorize \$500 million for a Social Progress Trust Fund which was to help finance a program of social progress and economic growth in the Americas.<sup>2</sup> President John F. Kennedy accepted this lead and added considerable coherence and nobility of purpose to United States policy in Latin America when he announced the Alliance for Progress on March 13, 1961.

### ALLIANCE FOR PROGRESS

There is confusion and misunderstanding over what constitutes Alliance for Progress aid. United States officials tend to include every possible loan, grant and food program to show that the United States has lived up to its promise to make \$1 billion available to Latin America for each fiscal year—as is shown by the following list of the United States commitments to Latin America from August, 1961, to December, 1965.<sup>3</sup>

|                            |                 |
|----------------------------|-----------------|
| AID† total                 | \$2,288,600,000 |
| Public Law 480             | 894,600,000     |
| Social Progress Trust Fund | 515,600,000     |
| Export-Import Bank         | 671,000,000     |
| Other (mainly I.D.B.)      | 571,000,000     |
| Overall total              | \$4,940,800,000 |

† Aid programs within the Agency for International Development.

Table II summarizes United States aid to Latin America since 1945. Note the sudden rise in 1953 when the International Cooperation Administration began to function, and in 1961 when the Alliance for Progress got under way.

Latin Americans criticize United States figures because they include many grants made outside the framework of the Alliance and emergency loans negotiated bilaterally

<sup>2</sup> These funds were authorized in August, 1960, but were not appropriated until May, 1961, when President Kennedy allotted \$394 million of the \$500 million available to the Social Progress Trust Fund. On June 19, 1961, the I.D.B. agreed to administer the Fund.

<sup>3</sup> Source: Alliance for Progress, *Weekly Newsletter*, April 4, 1966.

with some countries without specific reference to Alliance programs. The United States treats as "aid" both a ten-year Export-Import Bank loan at six per cent—a loan which is an ordinary banking operation and which, in addition, is then spent on high-cost United States industrial equipment—and an appropriation for the Peace Corps. The Latin American considers the Export-Import Bank loan not as "aid" but as a repayable credit, and is likely to treat the Peace Corps not as part of financial aid but rather as a goodwill gesture.

The Alliance for Progress contains important implications for the United States foreign aid program: it contains unequivocal commitments to the pursuit of economic development and social progress as goals for the hemisphere, and to multilateral action as the means of achieving these goals. It is the first attempt since the Marshall Plan to introduce regional organization into the administration of foreign aid. To succeed, it must demonstrate that it is more than a United States aid program. On the other hand, it is important to stress that the United States aid program goes on outside as well as within the Alliance for Progress and, as long as the Alliance has an independent existence, there remains the possibility that it will conflict with the unilateral operations of United States aid.

### POLITICAL USE OF AID

By far the most important source of resentment, however, is what the Latin Americans term the "political" use of aid by the United States—withholding aid from a government because it is out of favor in Washington, or funneling large sums of aid to a government the United States wishes to support as a hopefully effective bulwark against Communism, even though the economic plans proposed by that government do not meet the specific requirements of the Alliance for Progress.

The United States obviously has two objectives for its foreign aid policy in Latin America—economic and social progress plus the containment of communism—and these objectives sometimes conflict. The Latin Americans feel that concentration on the dangers

**TABLE II: U.S. AID TO LATIN AMERICA—1945-1965**  
(in millions of dollars)\*

| Year    | Development<br>Loans | Net Grants<br>and Credits | Military Aid | Total Aid  |
|---------|----------------------|---------------------------|--------------|------------|
| to 1948 | ..                   | 16                        | 235          | \$ 251     |
| 1949    | ..                   | 64                        | ..           | 64         |
| 1950    | ..                   | 38                        | ..           | 38         |
| 1951    | ..                   | 32                        | 64           | 96         |
| 1952    | 19                   | 12                        | 60           | 91         |
| 1953    | 20                   | 335                       | 34           | 389        |
| 1954    | 25                   | 31                        | 47           | 103        |
| 1955    | 45                   | 80                        | 30           | 155        |
| 1956    | 71                   | 99                        | 56           | 226        |
| 1957    | 76                   | 187                       | 66           | 329        |
| 1958    | 69                   | 504                       | 71           | 644        |
| 1959    | 101                  | 281                       | 59           | 441        |
| 1960    | 95                   | 129                       | 60           | 284        |
| 1961    | 248                  | 650                       | 57           | 955        |
| 1962    | 189                  | 512                       | 71           | 772        |
| 1963    | 342                  | 489                       | 70           | 901        |
| 1964    | 467                  | 364                       | 70           | 901        |
| 1965    | ← 850 (est.) →       |                           | 69 (est.)    | 919 (est.) |

\* Source: *Statistical Abstract of the United States*, 1965. Net grants and credits include funds under the Foreign Assistance Act, Peace Corps, Export-Import Bank, Agricultural Trade Development and Assistance Act (Food for Peace), Currency Claims Acquired, Inter-American Development Bank, International Bank for Reconstruction and Development, International Development Association and International Finance Corporation. Development loans include only those loans made under the auspices of I.C.A., D.L.F., or AID.

of communism to determine the distribution of aid subverts the efforts of the Alliance for Progress, and they cannot understand why the United States is so willing to subordinate its economic and social objectives to short-term political objectives. At the Rio meeting in November, 1965, Argentine Foreign Minister Angel Zavala Ortiz said that the United States had created the impression in the hemisphere that it had become so intensely concerned with the threat of Communist subversion that it was losing sight of the long-range problem of Latin America's social and economic revolution.

In 1962 and 1963, Brazilian President João Goulart greatly troubled the United States by his demagoguery and flirtations with communism. Aid for fiscal year 1963 was cut sharply, to indicate United States displeasure, and Brazil plunged into a severe economic crisis. When the military overthrew Goulart in 1964, the United States responded with remarkable speed to declare its support for the new government and to promise it enormous sums of aid. State Department officials tried to claim that this was aid under the Alliance,

but were embarrassed when it was revealed that the Brazilian government had submitted the required economic plan *after* the aid had been promised.

Then again, in the early 1960's, while the Peruvian government was negotiating with American-owned petroleum companies for revision of the terms of their petroleum concessions, the State Department threatened to cut off all aid to Peru. As the negotiations dragged on, the Peruvian executive changed hands twice, and development projects in Peru came to a virtual standstill. The issues are still not fully settled at this writing, but the grounds for a compromise have been established and funds are once again going to Peru.

#### MULTILATERAL PROS AND CONS

The Alliance for Progress contains a very clear commitment to multilateral action in pursuit of the specified economic, political, and social goals of the Charter of Punta del Este. There is no doubt that Latin Americans prefer control over funds for their development to be in the hands of interna-

tional organizations like the Inter-American Committee for the Alliance for Progress (C.I.A.P.), the Inter-American Development Bank (I.D.B.), the World Bank or the International Monetary Fund (I.M.F.). The Latin Americans are deeply suspicious of United States objectives and tend to resent and reject advice given to them by Uncle Sam whereas the same advice from the technicians of the I.D.B. or the World Bank will be accepted. Another argument against United States control over aid is that funds often become tangled in the United States bureaucracy or in the legal requirements of bilateral negotiations.

One of the most effective instruments in the struggle for economic development has been the Inter-American Development Bank. Although the I.D.B. puts strings on its loans which require that the funds be used for development, being run by Latin Americans, it does not meet much resistance to this kind of pressure. In 1965, the I.D.B. granted 66 loans worth \$373.5 million. This was the highest yearly total since the Bank began operating in 1961, and brought its cumulative net lending to \$1,530 million for 326 loans. The United States supplied \$500 million of that total. The borrowing nations supplied their own resources plus added financial help so it is estimated that the projects being financed by these loans have a value of \$4,200 million.<sup>4</sup>

An increasing number of projects under the Alliance are being executed without reference to United States opinion, but the United States is struggling to maintain its influence over the inter-American machinery. The recent resignation of the "Nine Wise men"<sup>5</sup> reflects the tension between the United States and its allies in the hemisphere over this issue. The dissension within the Alliance also reflects disagreement within the United States government. Officials of the Johnson administration take every opportunity to reaffirm our nation's commitment to social and eco-

nomic change and to multilateral action through the Alliance. On the other hand, the Congress has gone out of its way to warn nationalistic governments that the United States will not stand for mistreatment of American property. The Congress tried in 1962 to add an amendment to the foreign aid bill of that year which would force the President to cancel all aid to a country that expropriated American property without immediate compensation in hard cash. The Kennedy administration succeeded in killing the amendment in committee, arguing that the same ends could be achieved without offending anyone, by diplomatic negotiation. However, the Hickenlooper-Adair Amendment, as it is called, was tacked on to the Foreign Assistance Act of 1964, largely because the Johnson administration would not put up the stiff resistance necessary to defeat it.

The consequences of this measure for our aid program in Latin America are obvious. If a country moves to expropriate American-owned property and does not offer compensation that is satisfactory to the company, the President may cut off aid to that country. Under present arrangements, the United States commits many millions of dollars to multilateral development programs. Is the United States to withhold its funds from those programs and force them to suspend work in the Latin American nation which has expropriated American property? To do so would destroy the effectiveness of the international organizations. And yet, continued use of United States funds to subvert United States policy would be an untenable situation. Economic development in Latin America probably will involve more, not less, expropriation of private property. How should the United States respond to this challenge? It may be that the United States, as the richest and most powerful member of the inter-American system, must learn to exercise more patience and a kind of charity not usually associated with foreign aid programs.

During the Senate Foreign Relations Committee hearings on the Foreign Assistance Act of 1966, committee chairman J. William Fulbright stimulated public debate by advocating

<sup>4</sup> See Pan American Union *Briefs*, Vol. 7, No. 2 (February, 1966).

<sup>5</sup> A panel of nine members established under the Alliance charter to oversee review of various Latin American development plans.

"impersonal" or multilateral control over aid to developing nations. He argued that economic development should be the primary objective of our aid program in Latin America, that unilateral control over aid runs the unnecessary risk of creating bitterness in Latin America; he also criticized the Administration for misusing aid funds to achieve political objectives. Other Administration critics feel that aid must be used only to support the United States fight against communism and urge that the program return to its former name, the Mutual Security Program, to symbolize what they feel is its proper objective. Thus, the debate over the purposes of the United States aid program in Latin America is still unresolved.

#### AID UNDER FIRE

The current United States aid program in Latin America has come under fire from the Left and the Right, and been accused of committing a variety of different sins. Briefly stated the major criticisms are: aid precipitates radical change and thereby paves the way for communism; aid creates a sense of dependence within the recipient nation, destroying its ability to help itself; aid is inadequate. All of these criticisms point to the same basic question: Is the United States aid program in Latin America effective? Let us try to answer this question by responding to each of the three main criticisms.

It is self-evident that aid for the purpose of economic development will contribute to economic and social change; but it is a non sequitur to conclude that change and unrest will pave the way for communism. All the evidence we have on this subject points in the opposite direction. As the nations in Latin America increase their economic strength, they tend to extend the range of political participation, create more stable political institutions, and follow the norms of democratic behavior. Things are by no means idyllic, but aid seems to have strengthened the hands of the democratic forces in the hemisphere.

The second criticism has more validity. Aid will inevitably underscore the difference

between the economically strong and weak nations. However, it is one of the purposes of the Alliance for Progress to try to stimulate the various recipient countries to marshal their own resources to help build vital, independent nations around a self-sustaining economy. The evidence here seems to indicate that, after a sluggish beginning, the Alliance nations are responding in the desired fashion. Multilateral aid of this sort seems to run less risk of creating a debilitating sense of dependence in the recipient.

The third criticism—that present aid programs are inadequate—is the most difficult to meet. When he was still president of Brazil, João Goulart told the Inter-American Economic and Social Council that the Alliance was merely a palliative, and he called upon the nations of Latin America to reject all foreign aid and help themselves. Many economists agree that no amount of aid will solve the problems of Latin America: they argue that what Latin America needs is trade, not aid. As José Antonio Mayobre, then Executive-Secretary of the United Nations Economic Commission for Latin America, told the same November, 1963, meeting, "The contribution of foreign capital has barely served to compensate, in incomplete form, for the losses occasioned by the deterioration of prices. . . . In the present conditions, foreign financing has not signified a satisfactory substitute for foreign trade." The problem has not changed since 1963. Carlos Sanz de Santamaría, chairman of C.I.A.P., told the Chicago Council on Foreign Relations in January, 1966, that Latin America needed "trade, even more than aid."

#### A BASIC FACT

The basic economic fact is that the nations of Latin America have been in a severe depression since 1955 when prices for their basic exports began to go down. Now they are paid less for what they sell and pay more for what they buy. Recent calculations indicate that, if the underdeveloped world as a whole had paid 1958 prices for their 1962 imports, they would have benefited to the extent of \$200 million; that, if they had received 1958

prices for their 1962 exports, they would have benefited to the extent of \$1,400 million. A 20 cent increase in the price of coffee alone would mean almost \$1 billion a year in additional income for 15 Latin American countries.

### NOT ONLY AMERICAN

The problems of trade policy are not within the power of the United States to solve alone. Much of the difficulty is caused by the nations of Europe which have set up high tariff barriers against the products of Latin America. Of course, the United States is not blameless in regard to tariffs, but the main criticism aimed at America by the Latin Americans is that it has been unsympathetic to their trade interests and, up until very recently, has not given them the support in international meetings that they have asked and have needed.

Although there has been some change in United States policy on this issue, the effects of the change have not yet been felt. Secretary of State Dean Rusk told the Second Special Inter-American Conference at Rio in 1965, "We accept wholly the proposition that trade and development are closely linked." He pledged that the United States would promote and participate in arrangements to stabilize and sustain the prices of Latin America's traditional export commodities. The United States now seems to be combining traditional forms of aid with multilateral trade agreements to achieve the objectives of the Alliance for Progress. Since terms of trade are a world problem and require world action, this raises another point in the old argument—that *at least* the part of United States aid intended to counter adverse trade should be in the hands of international organizations free from the direct influence of national politics.

### GROUNDS FOR OPTIMISM

How, then, should we decide whether the United States aid program in Latin America has been effective? The yearly appraisals of the Alliance for Progress generally concentrate on the number of classrooms and houses

built, the number of hospital beds added, the miles of road paved, and so forth. These advances deserve praise but they tell only a small part of the story. We can go further and say important economic indicators show most of Latin America on firmer economic ground than it was five or even three years ago. The average annual rates of increase in GNP per capita for Latin America as a whole are again on the upswing and economists feel such figures are grounds for optimism.

It is still too early to tell what Congress will do with President Johnson's 1966 request for foreign aid funds. The Senate at this writing appears to be stingy—because of the war in Vietnam, because of balance-of-payments difficulties, and because of basic reservations about the past success of the aid program. For his part, the President has not been able to shake the clouds that surround his actions in the hemisphere. He insists that the United States will honor its commitments to the Alliance, but at the same indicates that the United States will restrict its aid to those countries in a position to use it, with the decisions as to which countries will qualify to be made in Washington.

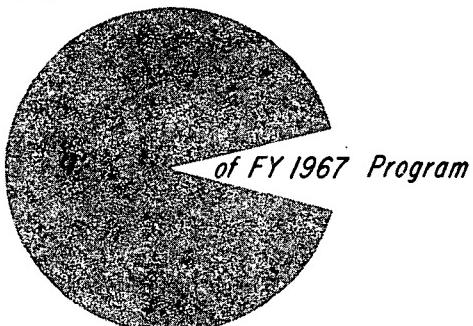
It is the hope of this writer that the United States will continue and increase its support for the multilateral organs of the Alliance for Progress. Latin America is a vital area for the United States and for the entire developed world. It can serve as a testing ground for the practicability of bringing a whole continent to a point of greater well-being. The United States must take the lead in this effort—because it has the means to do so, it is right to do so, and it is in our best political and economic interests to do so.

**Joseph S. Tulchin** teaches diplomatic and Latin American history. He is currently at work on a book on United States Latin American policy in the 1918–1925 period. During the 1966–1967 academic year, Mr. Tulchin will be in Argentina on a Foreign Area Fellowship in order to do further study on the foreign policy of Hipólite Yrigoyen.

# CONCENTRATION OF U.S. FOREIGN AID

## TOTAL COUNTRY PROGRAMS 20 MAJOR COUNTRIES

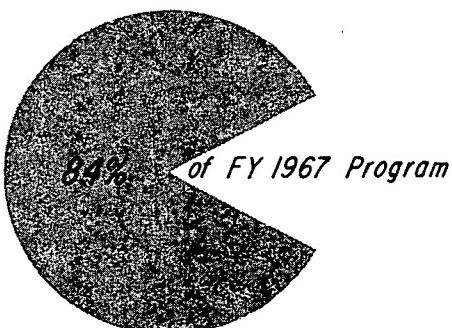
|                    |          |
|--------------------|----------|
| Afghanistan        | Korea    |
| Bolivia            | Laos     |
| Brazil             | Morocco  |
| Chile              | Nigeria  |
| Colombia           | Pakistan |
| Congo(Leo.)        | Peru     |
| Dominican Republic | Thailand |
| Ethiopia           | Tunisia  |
| India              | Turkey   |
| Jordan             | Vietnam  |



## DEVELOPMENT LOANS....

### .... 8 COUNTRIES

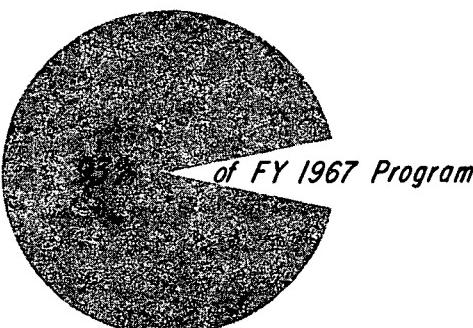
|          |          |
|----------|----------|
| India    | Colombia |
| Brazil   | Korea    |
| Pakistan | Chile    |
| Turkey   | Nigeria  |



## SUPPORTING ASSISTANCE....

### .... 5 COUNTRIES

|                    |
|--------------------|
| Vietnam            |
| Korea              |
| Jordan             |
| Dominican Republic |
| Laos               |



—This chart is reprinted from *Proposed Economic Assistance Programs FY 1967*, a publication of the Agency for International Development issued in March, 1966.

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*Analyzing United States aid and trade policies toward the nations of East Europe, this economist points out that "many people look upon any assistance extended to Soviet bloc nations as a violation of lofty moral principle and see in any concession a step toward national disaster."*

## U.S. Aid to East Europe

By VACLAV E. MARES  
*Professor of Economics, The Pennsylvania State University*

**A**S LONG AS 20 years ago, references to Europe's East and West used to be made in the strictly geographical meaning of these terms. However, since the Iron Curtain divided Europe into two ideologically opposed camps, the terms East and West have assumed a political connotation. The new division was similar to, yet not identical with, the old geographical concept. While Italy and even Turkey became important "Atlantic" powers and thus parts of Europe's West, and while Yugoslavia moved, at least in terms of statistical reporting, into the columns of West European nations, Czechoslovakia with her old Westernized provinces of Bohemia and Moravia became an integral part of Europe's East.

In view of these geopolitical anomalies it seems advisable to make clear that, for the purpose of this study, East Europe is defined as that group of nations lying between the Baltic, the Black, the Aegean, and the Atlantic Seas who, in the course of the last 20 years, adopted Marxism as an official political philosophy and who transformed their societies and economic systems either in line with Moscow's prescriptions or according to their own interpretation of Marxist doctrines. Thus, Greece is not part of this group. In this study, Yugoslavia is treated as part of Eastern Europe, yet not of the Soviet bloc. East Germany is, and Albania was until 1960, a member of both groups; since these states,

however, never participated in any United States aid programs (except for one small food relief grant to East Germany), they will not be considered for the purposes of this article.

There is another point of explanation necessary, relating to the use of the term "aid." The scope of this article has to be somewhat broader than this term might imply, if the term is understood to mean military, economic, or technical aid which is covered and financed by the annual United States Foreign Assistance Acts. The East European countries excluded themselves from this aid in 1947 when, upon Joseph Stalin's order, they declined the invitation to the first Marshall Plan conference. Yugoslavia became the plan's beneficiary only later, when she broke with Moscow. Poland, after the Poznan uprising, also received two American loans which were approved by the Congress and which came from the official United States aid program. Yet, on all the other occasions, when the United States government felt that it should extend some assistance to increasingly articulate national opposition groups within the Soviet bloc, it had to do it through other channels than those of the annual Foreign Assistance Acts. This is why it is necessary, when reviewing United States aid policy in this part of the Old Continent, to interpret the term "aid" in a broader meaning than usual.

**UNITED STATES AID TO YUGOSLAVIA—1950–1963**  
**(in millions of dollars)**

|  |           |
|--|-----------|
| Grants of economic and military assistance .....                           | \$1,118.1 |
| (these grants were terminated at the end of the 1950's)                    |           |
| Loans by the Export-Import Bank .....                                      | 105.0     |
| Loans by the Development Loan Fund and under the Mutual Security Act ..... | 188.5     |
| Loans under Public Law 480, Title I and IV .....                           | 412.7     |
| Grants under Public Law 480, Titles I, II, and III .....                   | 386.8     |
| Total of grants and loans in the 1950–1963 period .....                    | \$2,211.1 |

### THE CASE OF YUGOSLAVIA

Since 1948, when Yugoslavia's refusal to submit to domination by the Soviet Union caused its expulsion from the Soviet bloc, the United States has followed a policy of supporting Yugoslavia's desire to make her way as an independent state. She demonstrated repeatedly this determination: she joined neither the military Warsaw Pact, nor the Council for Mutual Economic Assistance. She adjusted her foreign trade system to Western practices and oriented more than two-thirds of her trade to the non-Soviet world. She joined all the major free world economic organizations including the World Bank, the International Monetary Fund, the Organization for Economic Cooperation and Development, and the General Agreement on Tariff and Trade. Senator J. W. Fulbright (D., Ark.) evaluated this policy as follows<sup>1</sup>:

... The effort to reconcile communism with nationalism has produced an internal political, social and economic order which, though basically authoritarian, is also pragmatic, experimental, and largely free of dogma, an order that combines elements of Marxian communism with elements of Western syndicalism, Fabian socialism, and welfare state democracy. The Yugoslavs have created a system which must be re-

garded as 'Communist' largely because it chooses to regard itself as communist.

A table presented during the 1964 congressional hearings on United States foreign aid<sup>2</sup> gave the cost of United States aid to Yugoslavia for the years 1950–1963 (see above).

While Yugoslavia was listed in 1965 among those 26 countries where the United States foreign assistance program was terminated, the farm product sales with some kind of payment assistance went on. With these additional amounts and with newly granted Export-Import Bank guarantees on current export credits, the total figure of cost of United States assistance (grants, loans, credit guarantees) to Yugoslavia must by now be close to the amount of \$2.5 billion.

From another statistical publication<sup>3</sup> are taken the following figures that somewhat qualify the use of the term "cost" in the preceding statement. This publication lists every foreign loan which was made by the United States government in the fiscal years 1941 through 1965 and which was active as of June 30, 1965 (fully repaid loans were excluded). According to these figures, the status of United States foreign credits to Yugoslavia was on that day as follows:

|                                    |               |
|------------------------------------|---------------|
| Credit authorized .....            | \$842,905,705 |
| Credit utilized .....              | \$690,968,318 |
| Principal collected .....          | \$ 61,844,546 |
| Principal outstanding .....        | \$628,880,513 |
| Interest and commissions collected | \$ 83,074,947 |

In addition to this assistance extended by the United States government, Yugoslavia qualified also between 1951 and 1964 for several loans from the International Bank for Reconstruction and Development. They

<sup>1</sup> *Yugoslavia 1964*, Report to the Committee on Foreign Relations of the U.S. Senate by Senator J. W. Fulbright (Washington: U.S. Government Printing Office, 1965).

<sup>2</sup> *East-West Trade*, Hearings before the Committee on Foreign Relations of the U.S. Senate (Washington: U.S. Government Printing Office, 1964), Part I, p. 46.

<sup>3</sup> *Foreign Credits by the U.S. Government, Status of Active Foreign Credits of the U.S. Government and of International Organizations as of June 30, 1965*. A report prepared for use of the Congress by the U.S. Department of Commerce (Washington: U.S. Government Printing Office, 1966).

were granted for power, transportation, and other development projects and reached the total amount of \$255 million.

The political investment that the United States made in Yugoslavia paid good dividends. It helped Yugoslavia to break away from the Soviet pattern of economic organization and political administration. It accelerated the fragmentation of the Kremlin's control over its East European empire and, in this way, it undermined the bloc's strategic position in the Balkans, in the Mediterranean, and on its frontiers in Central Europe. This was certainly a most satisfactory accomplishment from the Western point of view.

### CONGRESSIONAL OPPOSITION

In spite of these tangible, most heartening results of its policy towards Yugoslavia, the Administration has often had to defend it in Congress against senseless attacks. Once the Congress opposed—and temporarily suspended—the "most favored nation" treatment for Yugoslavia's imports; another time it objected to the "Food for Peace" sales for local currency, and once it antagonized the Yugoslav government by prohibiting exports of spare parts for military equipment which was earlier supplied to Yugoslavia by the United States.

The main argument behind all such demonstrations has always appeared to be whether it is desirable for the United States to maintain friendly relations with a Communist regime.

There are many Americans [wrote Senator Fulbright in his report which was earlier quoted] who seem persuaded that the fact that a government calls itself Communist disqualifies it permanently and unalterably, regardless of the kind of communism it practices, from any prospect of good relations with the United States. . . . I think this is a disastrous point of view. It confronts us with a prospect of endless tensions and relent-

less conflict which it is difficult to believe could end in anything but general war.<sup>4</sup>

### THE SOVIET BLOC COUNTRIES

The public and congressional opposition became, of course, much stronger whenever the discussion turned to the question of giving aid to a country which belonged to the Soviet bloc. The supporting role that some of these countries had played in the various acts of Soviet subversion or open aggression around the world—advising and training of prospective rebels, supplying them with weapons, was not forgotten even when the de-Stalinization process in the former satellite countries began and when one after another of them started to show interest in the resumption of contacts with the West. Thus, still in the late 1950's, there was not much support in this country for a change in the reserved attitude toward the Soviet bloc.

Only one of the Soviet bloc countries—Poland—succeeded in 1957 and 1958, as mentioned earlier, in breaking through the American resistance to the extension of the official United States aid program beyond the Iron Curtain. As a welcome gesture to the two men—the dissident Party boss Wladyslaw Gomulka and Stefan Cardinal Wyszynski—who had just returned from prison and had assumed political and spiritual leadership in their country, Congress approved two loans to Poland in the total amount of \$61 billion from the official aid funds. Yet when this did not help to convince the new regime that it should publicly repudiate Marxist political philosophy and reintroduce some kind of neo-capitalistic system in the country (as obviously some of those who had approved the loans expected), Poland was again dropped from the list of United States aid recipients. None of the other members of the Soviet bloc ever received a share of these official funds.

Nor was public opinion in this country inclined to broaden trade relations with the Soviet bloc countries. All the trade-restricting legislation of the Korean War years was still, at the end of the 1950's, strictly applied. The reactivated Johnson Act,<sup>5</sup> the Export

<sup>4</sup> See footnote 1.

<sup>5</sup> Johnson Act of 1934 prohibited the extension of credit by an American exporter to a foreign nation if that nation was in default on an indebtedness to the United States; in its new formulation of 1948, this provision of the Act did not apply to nations which became members of the World Bank and/or of the International Monetary Fund.

Control Act,<sup>6</sup> the Battle Act,<sup>7</sup> the discriminatory provisions—with regard to the Soviet bloc—of other acts concerning trade and export credits—all these congressional measures helped to keep our export to East European countries to a minimum. This produced some absurd results, one of which was that, instead of damaging the Soviet Union, this United States embargo added to the economic problems of the smaller East European countries just when they started to rebel and when they needed some support in their efforts to reduce their dependence on Moscow's authoritative tutorship.

The United States realized what was at stake. Yet, with any indication that it was inclined to favor the smaller members of the Soviet bloc, it had to face a strong opposition in Congress. Since Senator Joseph McCarthy's (R., Wis.) days, and influenced by some of the Bible-belt politicians, many people look upon any assistance extended to Soviet bloc nations as a violation of lofty moral principle and see in any concession a step toward national disaster. Thus, the government was forced to stay within the limits set by Congress in its supporting actions in favor of the rebellious members of the Soviet bloc; when it needed to seek congressional approval, its proposals had to be justified primarily by the American national interest.

In a chart attached to the records of the congressional hearings which investigated the costs of these programs<sup>8</sup> in March and April, 1965, the aid expenditures for 1964 were shown under the following headings (in millions of dollars):

<sup>6</sup> The Export Control Act of 1949 provided for the licensing of exports for a long list of commodities which were deemed to be strategic and important for the country's security.

<sup>7</sup> The Battle Act of 1951 prohibited the furnishing of assistance to any country which knowingly was permitting shipments of certain strategic materials to "any nation or combinations of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination." For excerpts of this Act, see page 45 of this issue.

<sup>8</sup> *Foreign Assistance, 1965*, Hearings before the Committee on Foreign Relations, U.S. Senate (Washington: U.S. Government Printing Office, 1965), p. 44.

#### Agency for International Development:

|                                      |            |
|--------------------------------------|------------|
| Loans .....                          | \$1,397.1  |
| Grants .....                         | 876.1      |
| AID total .....                      | \$2,273.8* |
| Social Progress Trust Fund .....     | 38.4       |
| Food for Peace Program               |            |
| (Public Law 480) .....               | 1,963.4    |
| Export-Import Bank—long-term loans.. | 567.8      |
| Other economic programs .....        | 199.5      |
| Total military assistance .....      | 1,455.4*   |
| Grand total .....                    | \$6,498.3  |

From these various programs, only those marked \* were covered by the United States Foreign Assistance Act for that year. Consequently, Senator Wayne Morse (D., Ore.) was right when he stated that the amount requested from the Congress in the annual foreign assistance bills represents only about one-half of our actual foreign aid expenditures. It was exactly this diffusion of our aid programs that offered the Administration at least some operational flexibility for the conduct of its foreign policy in the years when the former monolithic structure of the Soviet bloc in Eastern Europe started to disintegrate.

#### THE "FOOD FOR PEACE" PROGRAM

As the preceding summary figures show, of those programs which were not covered by our annual Foreign Assistance Acts, the most important was the "Food for Peace" program which was established by the 1954 Agricultural Trade and Development and Assistance Act, also known as Public Law 480. (For excerpts of this Act, see page 46.) The Act and its successive amendments contained a number of discriminatory provisions which were aimed at the countries of the Soviet bloc. It limited some of the sales only to "friendly nations," it expressly eliminated, from another group of sales, "any nation or area controlled by any Communist government," and, in another passage, it insisted on no more than a 5-year credit for some countries while allowing up to 20 years on the same transactions to other countries. In spite of all these restrictions, which were inserted into the texts of the law and of its

**P.L. 480: FOOD FOR PEACE PROGRAMS (in millions of dollars)**

|                                 | Title I: Sales<br>Agreements<br>for Local<br>Currencies | Title II: Emergency<br>Assistance<br>Authorizations | Title III: Donations for<br>Voluntary<br>Relief Agencies | Title IV:<br>Sales<br>Agreements<br>for Dollars |
|---------------------------------|---|---|--|---|
| Period covered                  | July, 1954–<br>June, 1965                               | Fiscal Years,<br>1955–1965                          | July, 1949–<br>June, 1965                                | July, 1961–<br>June, 1965                       |
| Grand total of<br>all shipments | \$10,403.9  | \$1,616.3   | \$3,101  | \$425.6   |
| From this to:                   |   |   |  |   |
| Yugoslavia                      | 637.8   | 47.2  | 213.5  | 173.6   |
| Poland                          | 530.4   | ....  | 45.5   | ....  |
| Hungary                         | ....  | 13.2  | ....   | ....  |
| Czechoslovakia                  | ....  | 2.0   | ....   | ....  |

amendments, the Administration found a way of extending its benefits to at least some of the East European countries. This is evident from the following summary of the United States farm product shipments which were made under the provisions of the program in the past 12 years<sup>9</sup>:

As the table shows, some \$15.5 billion worth of agricultural commodities have been distributed under the four titles of the "Food for Peace" program since its inception in 1954. (Under Title III are included some small shipments from preceding years.) Since the foreign currencies generated by these sales must be spent in the respective countries and the dollar sales, as far as such were made, were combined with long-term credits allowing 20, 30 and up to 50 years for final settlement, all of these sales belong rather under the heading of "aid" than that of "commercial exports." To the United States these sales brought considerable relief in her pressing farm product storage problem. In wheat, for example, in the last years these sales accounted for about 75 per cent of the total United States wheat exports.

Of the Soviet bloc countries, Poland was far ahead of the other members of the bloc in benefits received from this program.

Thus, in the ten years that followed the Poznan revolt, Poland received from the United States in grants, loans and farm products shipments in total about \$650 million, the breakdown of which was as follows (in millions of dollars):

- (a) under the Title I of the P.L. 480...\$530.4
- (b) under the Title III of the P.L. 480.. 47.2
- (c) by special congressional authorization a grant for the construction and equipment of a children's hospital... 10.4
- (d) the Mutual Security Act loan (or, as referred to earlier, the "Gomulka-Wyszynski welcome loan") ..... 61.0

In addition to this postrevolt assistance, Poland received in 1946 a \$40 million loan from the Export-Import Bank for the modernization of her railroads. The subsequent downpayments on this loan and on its 3 per cent interest reduced the outstanding principal of this loan by 1965 to a balance of about \$15 million.

The figures for Yugoslavia in the above statement are given for comparison with those for the Soviet bloc; they show how beneficial to her people, in terms of the food supply adequacy, was the government's policy of neutrality. (The total of this statement does not coincide with the two P.L. 480 items shown earlier among the figures of United States aid to Yugoslavia because there is a difference of 18 months in the period of coverage.)

"Food for Peace" sales are not to be confused with the wheat purchases which, since

<sup>9</sup> This table was prepared by the author from figures made available by the Agency for International Development, Washington, D.C., in its publication *Operations Report-Data as of June 30, 1965* (Washington: U.S. Government Printing Office, 1966).

| SOVIET BLOC WHEAT PURCHASES (in thousands of metric tons) <sup>10</sup> |                         |                       |                 |                       |                 |                       |
|---|-------------------------|-----------------------|-----------------|-----------------------|-----------------|-----------------------|
| Delivered<br>from<br>↓  | in 1963/64              |                       | in 1964/65      |                       | in 1965/66      |                       |
|   | Soviet<br>Union<br>to → | Other EE<br>countries | Soviet<br>Union | Other EE<br>countries | Soviet<br>Union | Other EE<br>countries |
| U.S.  | 1,784.5                 | 1,288.7               | ..              | ..                    | ..              | ..                    |
| Canada  | 6,910.0                 | 952.7                 | 670             | 1,630                 | 6,100           | 600                   |
| Australia   | 1,750.0                 | ..                    | 1,400           | ..                    | ..              | ..                    |
| Argentina   | 50.0                    | 106.0                 | 1,000           | ..                    | 1,200           | ..                    |
| France  | 185.0                   | 305.0                 | 440             | 660                   | 600             | 300                   |
| Other   | 932.0                   | 551.0                 | ..              | 150                   | ..              | 300                   |
| Total   | 11,611.5                | 3,203.4               | 3,510           | 2,440                 | 7,900           | 1,200                 |
| The estimated port value of these sales (in millions of dollars):       |                         |                       |                 |                       |                 |                       |
|   | 755.2                   | 205.3                 | 213.6           | 159.4                 | 518.7           | 75.1                  |

1963 (the "disaster" crop year of Russian agriculture), the Soviet Union and some East European countries make annually in the West and for which they pay cash in dollars. (For figures covering the last three years, see chart above.)

The fact that the United States participated in these dollar sales by no more than 10 per cent and, in the last year, passed the benefits from these sales completely to Canada, France and Argentina was the unfortunate result of the unwise congressional insistence that 50 per cent of the farm products sold must be shipped in American merchant vessels. This was the first time that purely commercial exports were subjected to and eventually eliminated by such a governmental requirement. Sales which had nothing to do with aid and which would have alleviated both this country's farm product surplus problem, and her balance-of-payments position, had to be discontinued because the buyers declined to pay the high freight rates of the American merchant marine.

Representative Paul Findley (Rep.) of Illinois, for one, was not happy; to him it was "incredible to even contemplate expanding trade with the government which provides North Vietnam with the surface-to-air mis-

siles which already have sent several U. S. airmen to their graves."<sup>11</sup> This statement reflects the highly emotional overtones which the subject of East-West trade carries still today for much of American opinion and to which George F. Kennen referred when he wrote in his book, *On Dealing with the Communist World*:

... It is quite evident . . . that in the minds of a great many Americans trade with a Communist country, even on normal commercial terms, represents an act of graciousness on our part for which we should demand political concessions in return. . . . This is only another way of renouncing trade altogether; for Communist countries will never yield to overt demands of this nature. . . .

## EASING TRADE CONTROLS

One cannot blame the Administration for lack of imagination, when one examines the inventiveness with which it has tried to remove or to lower at least some of the hurdles Congress has built to block the flow of American trade with East Europe in the years of the cold war. The Department of State staunchly defended the position of Yugoslavia among other nations benefiting by the most favored nation treatment in trade with this country. When it lost one of its fights with Congress on this matter, it allowed its ambassador in Belgrad to resign in protest, helping to prevent major damage to friendly United States-Yugoslav relations.

In 1960, the Administration succeeded in extending the same most favored nation treat-

<sup>10</sup> *Shipping Restrictions on Grain Sales to Eastern Europe*. Hearings before the Committee on Foreign Relations, U.S. Senate, Sept. 17 and 27, 1965 (Washington: U.S. Government Printing Office, 1965), page 114.

<sup>11</sup> *Ibid.*, p. 29, as quoted by Teddy Gleason, leader of the International Longshoremen's Association.

ment to imports from Poland. Later, it dropped an investigation of alleged charges that some East European products were imported and sold in the United States below their actual production costs. It publicly denounced self-styled organizers of consumers' boycotts against the purchase of "Communist-grown or produced" goods—boycotts which were directed once against hams from Poland, another time against hops and tobacco from Yugoslavia and, on still another occasion, against Christmas tree ornaments and shoes from Czechoslovakia.

The Administration relaxed its practices when handling applications for exports to Eastern Europe under the outdated Export Control Act. In 1965, it granted export licenses even for such products as industrial chemicals, gear manufacturing equipment, centrifugal gas compressors, and computers. The rejected applications amounted to less than five per cent of all the applications filed in 1965 by American exporters.<sup>12</sup>

The Administration tried also to correct in favor of the East European countries the scope of the authority of the Export-Import Bank to guarantee commercial export credits. According to the provisions of the law which established this authority, such guarantees could not be extended to any Communist country "except when the President determines that such guarantees would be in the national interest and reports each such determination to the House of Representatives and the Senate within 30 days after such determination."<sup>13</sup>

By letter dated February 4, 1964, the President advised the Congress of his determination that it was in the national interest for the Export-Import Bank to issue guarantees in connection with sales of agricultural products to Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the Soviet Union.

<sup>12</sup> See *Export Control*, quarterly reports published by the U.S. Department of Commerce.

<sup>13</sup> This prohibition has been repeated in the pertaining legislation over the past several years. In its last formulation it appears in Title III of the Foreign Assistance and Related Agencies Appropriation Act of 1966.

<sup>14</sup> See pp. 192-193 of document listed in footnote 2.

By a second letter of the same date, he determined it was in the national interest for such guarantees to be issued in connection with the sale of United States products and services to Yugoslavia. By letter dated June 15, 1964, the President advised the Congress of his determination that it was in the national interest for the Export-Import Bank to issue its guarantees in connection with short- and medium-term financing of sales of products and services to Rumania.

By the close of 1965, the Export-Import Bank had an approximate amount of \$140 million in open credits and guarantees in Eastern Europe. When asked about this credit risk during the 1964 congressional hearings, Harold F. Linder, president and chairman of the board of directors of the Export-Import Bank, answered:

. . . With the Eastern bloc we have had no problem whatever, and I have not heard of a single default since 1917 on. . . . Within appropriate limits I am not concerned about the credit risks in dealing with the East European countries.<sup>14</sup>

In spite of all these supporting actions of the Administration, the volume of United States trade with the Soviet bloc countries remains very small. First, the East's isolation policy of the Stalin era and, later, the United States embargo policy—extended over a whole decade after the termination of the Korean War—forced the political antagonists to get along without the other's products. What we buy from and sell to the countries of the Soviet bloc (including the Soviet Union) represents only one half of one per cent of our total imports and about the same share of our total exports.

More export credits and the universal application of the most favored nation treatment to all imports from Eastern Europe (up to now reserved only for imports from Yugoslavia and Poland) could certainly increase the volume of our trade with the whole area. In May, 1966, President Johnson asked Congress to give him discretionary authority to extend most favored nation treatment to all Communist countries. This would help to raise the standards of living in Eastern Europe. The narrowing of the welfare gap

between the East and the West could, in turn, help to reduce the political tension between the two areas. Thus, a more liberal approach to trade with East European countries, even if it were of greater immediate benefit to them than to this country, would undoubtedly be in line with the general objectives of United States foreign policy.

### OPENINGS FOR PRIVATE CAPITAL

One additional source of financial assistance—private investment capital—has been explored in the West by East European governments for some time. They have been prompted to this course of action by their economists, plant managers, and other professionals, who remind them that substantial amounts of investment capital will be needed if the rates of economic growth are to be maintained or increased in the future. After severe economic setbacks in the early 1960's, not all these rates have caught up with the respective state plans. In 1965, they ranged from 2 and 3 per cent in Hungary and Czechoslovakia to about 8 per cent in Rumania. The Soviet Union's rate of growth was put at 6 per cent in 1965 compared with 9 per cent in 1964.<sup>15</sup> The politicians, mindful of the losses that mismanagement had inflicted on their economies, were this time more inclined to listen to what the experts were telling them about the only alternative ways to secure additional investment funds: either by imposing a new regime of severe austerity on the public at home, or by inviting and using the help of foreign capital.

The governments, committed by promises to their people that deprivations imposed on them in Stalin's days would never be re-

<sup>15</sup> See the March, 1966, report of the U.N. Economic Commission for Europe, Geneva.

<sup>16</sup> This and the following paragraph are based on an extensive study made by Michael Gamarnikow which was published under the title "Eastern Partners for Western Businessmen" in the September, 1965, issue of the monthly, *East Europe*.

<sup>17</sup> See *Time*, March 18, 1966.

<sup>18</sup> Some were reported in Gamarnikow's study (see footnote 14), some in *The New York Times*, some in *East-West Trade*, a bi-monthly newsletter on business and economic affairs published in New York.

peated, had to choose the second alternative. They started to look across the Iron Curtain for potential investors and to talk to them in pragmatic terms. They did not hesitate to stress the availability of their cheap labor and to talk about such ideologically delicate issues as profits and their transfers. In this respect, they showed their willingness to offer to Western capitalists un-Marxian assurances.

Official spokesmen of Rumania and Yugoslavia were the least inhibited in their efforts to create an attractive climate for Western investment capital in their lands. Other East European governments did so less publicly, but all of them, in the past two or three years, have solicited various forms of cooperation with Western industrial groups. Shortage of domestic investment capital was the most compelling, yet not the only reason for this policy. Other reasons were to secure access to the latest technological know-how, to Western management experience, and possibly even to export markets in third countries.<sup>16</sup>

West European business firms showed interest in these Eastern investment offers. Many of them are already at work in Eastern Europe under various cooperative arrangements which include railroad and telephone equipment, farm and textile machinery, electrical and marine engineering, building and furniture making, and many other production and service fields (as e.g., in travel facilities and gas station construction). Among the participants are many well-known names, such as Krupp, Siemens, NSU Motors of Germany, Fiat, Olivetti, Montecatini of Italy, Gallaghan and Honeywell of Great Britain, SKF and Ericson of Sweden, Renault of France, and many others. It has been estimated<sup>17</sup> that by now some 500 Western firms are engaged in Eastern Europe in such cooperative ventures worth about \$800 million.

So far, only a few American firms can be found among those which responded to these East European investment and cooperation offers. Some projects which have been recently reported<sup>18</sup> were:

purchases of hotels in Hungary and Bulgaria by the American Intercontinental Hotels Corporation—a subsidiary of Pan-American Airlines; construction of six other hotels by the same company and Cyrus Eaton, the Cleveland industrialist;

construction of a bottling plant for Pepsi-Cola in Rumania and for Coca-Cola in Bulgaria, plus granting of a franchise by the Pepsi-Cola Company to a state distributing agency in Yugoslavia;

a production licensing agreement between the Simmons Machine Tool Corporation in the United States and the former Skoda Works (now Lenin Works) in Czechoslovakia, under the terms of which the latter becomes Simmons' subcontractor and the machines will be marketed in third countries by the United States company under the trade name Simmons-Skoda;

design and construction of a petroleum processing plant by the Universal Oil Products Corporation in Illinois for the Ploesti oil field in Rumania;

Univac's and IBM's explorations of cooperative possibilities that the deep-rooted state planning systems in Eastern Europe offer to major computers producers.

Because the East European governments object to joint ownerships, Western investments in jointly operated enterprises seem rather to have the character of capital supplied on a long-term credit basis.

On the American side, there are still legal, economic and psychological obstacles to the expansion of such cooperative agreements. The Johnson Act remains the main legal obstacle because of the long-term credit character of such investments. Commercially, such cooperative agreements present much higher risks than joint ownerships. Holders of important patents, especially, assume the risk of the disclosure of their production secrets to third parties. Moreover, there is always the risk of expropriation in the case of some open military conflict between the East and the West.

Finally, the widespread stereotyped belief that any kind of cooperation with the Communists is tantamount to entering a compact with the devil is, up to this day, a considerable psychological deterrent to an expansion

of this type of United States-East European cooperation. The case of the Firestone Company, which at first was willing to build a synthetic rubber plant in Rumania, but later, after having been publicly slandered by another rubber tire manufacturer, decided to pull out of the Rumanian deal, is an example of how this deterrent can work.

Despite all these obstacles, hazards and problems inherent in the establishment of such cooperative agreements, it can be assumed that the United States government, in line with its interest in speeding up economic development, will support private capital ventures in Eastern Europe. If the outdated Johnson Act is not soon repealed, the obstacles that it presents could be overcome if the interested countries would join—as did Yugoslavia—the International Monetary Fund<sup>19</sup>; some of the bloc countries have already indicated this possibility. As to the hazards concerning patents and production secrets, a few years experience of those Western firms which are already at work in the East may either dispell such uncertainties or qualify the risk involved.

Hopefully, the expanding political education of the American public and its growing awareness of the country's real national interest will eventually eliminate the emotional tension from the public discussions of our relations with the East European countries and thus create a rational basis for policy decisions pertaining to aid, trade or private investments in that area.

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<sup>19</sup> See footnote 5.

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## CURRENT DOCUMENTS

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# The Mutual Defense Assistance Control Act

*The Mutual Defense Assistance Control Act of 1951, the "Battle Act," was passed by the 82nd Congress on October 26, 1951. Excerpts from this legislation follow:*

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Defense Assistance Control Act of 1951."*

### TITLE I—WAR MATERIALS

SEC. 101. The Congress of the United States, recognizing that in a world threatened by aggression the United States can best preserve and maintain peace by developing maximum national strength and by utilizing all of its resources in cooperation with other free nations, hereby declares it to be the policy of the United States to apply an embargo on the shipment of arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, in order to (1) increase the national strength of the United States and of the cooperating nations; (2) impede the ability of nations threatening the security of the United States to conduct military operations; and (3) to assist the people of the nations under the domination of foreign aggressors to reestablish their freedom.

It is further declared to be the policy of the United States that no military, economic, or financial assistance shall be supplied to any nation unless it applies an embargo on such shipments to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination.

This Act shall be administered in such a way as to bring about the fullest support for any resolution of the General Assembly of the United Na-

tions, supported by the United States, to prevent the shipment of certain commodities to areas under the control of governments engaged in hostilities in defiance of the United Nations.

\* \* \*

### SEC. 103. . . .

(b) All military, economic, or financial assistance to any nation shall, upon the recommendation of the Administrator, be terminated forthwith if such nation after sixty days from the date of a determination under section 103 (a) knowingly permits the shipment to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, of any item which he has determined under section 103 (a) after a full and complete investigation to be included in any of the following categories: Arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war: *Provided*, That the President after receiving the advice of the Administrator and after taking into account the contribution of such country to the mutual security of the free world, the importance of such assistance to the security of the United States, the strategic importance of imports received from countries of the Soviet bloc, and the adequacy of such country's controls over the export to the Soviet bloc of items of strategic importance, may direct the continuance of such assistance to a country which permits shipments of items other than arms, ammunition, implements of war, and atomic energy materials when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States: *Provided further*, That the President shall immediately report any determination made pursuant to the first proviso of this

section with reasons therefor to the Appropriations and Armed Services Committees of the Senate and of the House of Representatives, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives, and the President shall at least once each quarter review all determinations made previously and shall report his conclusions to the foregoing committees of the House and Senate, which reports shall contain an analysis of the trade with the Soviet bloc of countries for which determinations have been made.

**SEC. 104.** Whenever military, economic, or financial assistance has been terminated as provided in this Act, such assistance can be resumed only upon determination by the President that adequate measures have been taken by the nation concerned to assure full compliance with the provisions of this Act.

**SEC. 105.** For the purposes of this Act the term "assistance" does not include activities carried on for the purpose of facilitating the procurement of materials in which the United States is deficient.

## TITLE II—OTHER MATERIALS

**SEC. 201.** The Congress of the United States further declares it to be the policy of the United States to regulate the export of commodities other than those specified in Title I of this Act to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination, in order to strengthen the United States and other cooperating nations of the free world and to oppose and offset by non-

military action acts which threaten the security of the United States and the peace of the world.

**SEC. 202.** The United States shall negotiate with any country receiving military, economic, or financial assistance arrangements for the recipient country to undertake a program for controlling exports of items not subject to embargo under Title I of this Act, but which in the judgment of the Administrator should be controlled to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination.

**SEC. 203.** All military, economic, and financial assistance shall be terminated when the President determines that the recipient country (1) is not effectively cooperating with the United States pursuant to this title, or (2) is failing to furnish to the United States information sufficient for the President to determine that the recipient country is effectively cooperating with the United States.

## TITLE III—GENERAL PROVISIONS

**SEC. 301.** All other nations (those not receiving United States military, economic, or financial assistance) shall be invited by the President to cooperate jointly in a group or groups or on an individual basis in controlling the export of the commodities referred to in Title I and Title II of this Act to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and all countries under its domination. . . .

• • •

# The Food for Peace Program

*In July of 1954, Congress passed the Agricultural Trade Development and Assistance Act, also referred to as Public Law 480. Excerpts from this act, as amended in 1955, follow:*

AN ACT TO increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

• • •

**SEC. 2.** It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the

national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor. It is further

the policy to use foreign currencies which accrue to the United States under this Act to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the United States.

#### TITLE I—SALES FOR FOREIGN CURRENCY

SEC. 101. In furtherance of this policy, the President is authorized to negotiate and carry out agreements with friendly nations or organizations of friendly nations to provide for the sale of surplus agricultural commodities for foreign currencies. In negotiating such agreements the President shall—

(a) take reasonable precautions to safeguard usual marketings of the United States and to assure that sales under this Act will not unduly disrupt world prices of agricultural commodities;

(b) take appropriate steps to assure that private trade channels are used to the maximum extent practicable both with respect to sales from privately owned stocks and from stocks owned by the Commodity Credit Corporation;

(c) give special consideration to utilizing the authority and funds provided by this Act, in order to develop and expand continuous market demand abroad for agricultural commodities, with appropriate emphasis on underdeveloped and new market areas;

(d) seek and secure commitments from participating countries that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of surplus agricultural commodities purchased under this Act, without specific approval of the President; and

(e) afford any friendly nation the maximum opportunity to purchase surplus agricultural commodities from the United States, taking into consideration the opportunities to achieve the declared policy of this Act and to make effective use of the foreign currencies received to carry out the purposes of this Act.

SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic exporters surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407

of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks. . . .

SEC. 106. As used in this Act, "surplus agricultural commodity" shall mean any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, either privately or publicly owned, which is or may be reasonably expected to be in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture. The Secretary of Agriculture is also authorized to determine the nations with whom agreements shall be negotiated, and to determine the commodities and quantities thereof which may be included in the negotiations with each country after advising with other agencies of Government affected and within broad policies laid down by the President for implementing this Act.

SEC. 107. As used in this Act, "friendly nation" means any country other than (1) the U.S.S.R., or (2) any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

SEC. 108. The President shall make a report to Congress with respect to the activities carried on under this Act at least once each six months and at such other times as may be appropriate and such reports shall include the dollar value, at the exchange rates in effect at the time of the sale, of the foreign currency for which commodities exported pursuant to section 102 (a) hereof are sold. . . .

#### TITLE II—FAMINE RELIEF AND OTHER ASSISTANCE

SEC. 201. In order to enable the President to furnish emergency assistance on behalf of the people of the United States to friendly peoples in meeting famine or other urgent relief requirements, the Commodity Credit Corporation shall make available to the President out of its stocks such surplus agricultural commodities (as defined in section 106 of Title I) f. o. b. vessels in United States ports, as he may request, for transfer (1) to any nation friendly to the United States in order to meet famine or other urgent relief requirements of such nation, and (2) to friendly but needy populations without regard to the friendliness of their government.

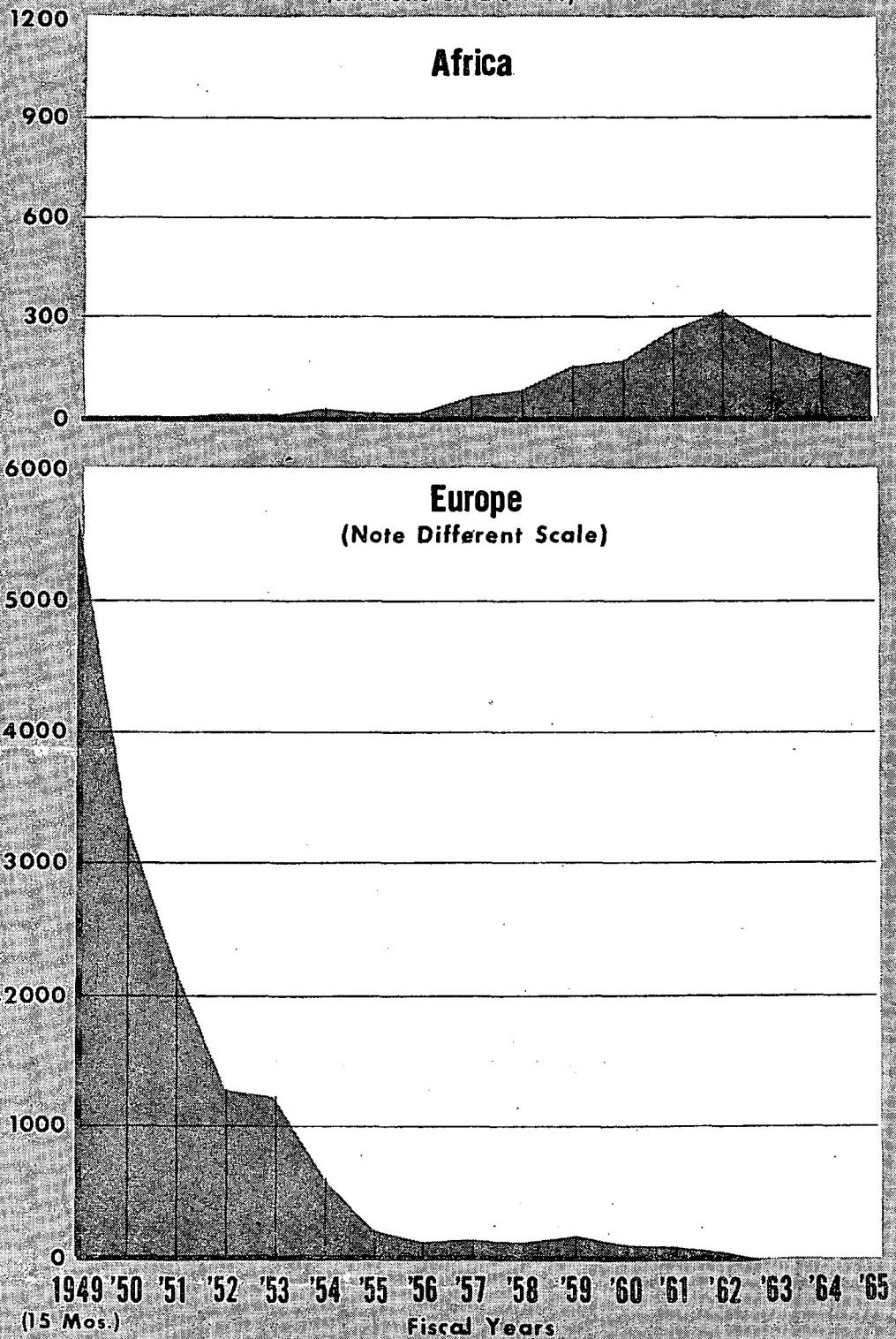
SEC. 202. The President may authorize the transfer on a grant basis of surplus agricultural commodities from Commodity Credit Corporation stocks to assist programs undertaken with friendly

*(Continued on page 54)*

# TREND OF ECONOMIC ASSISTANCE BY REGION

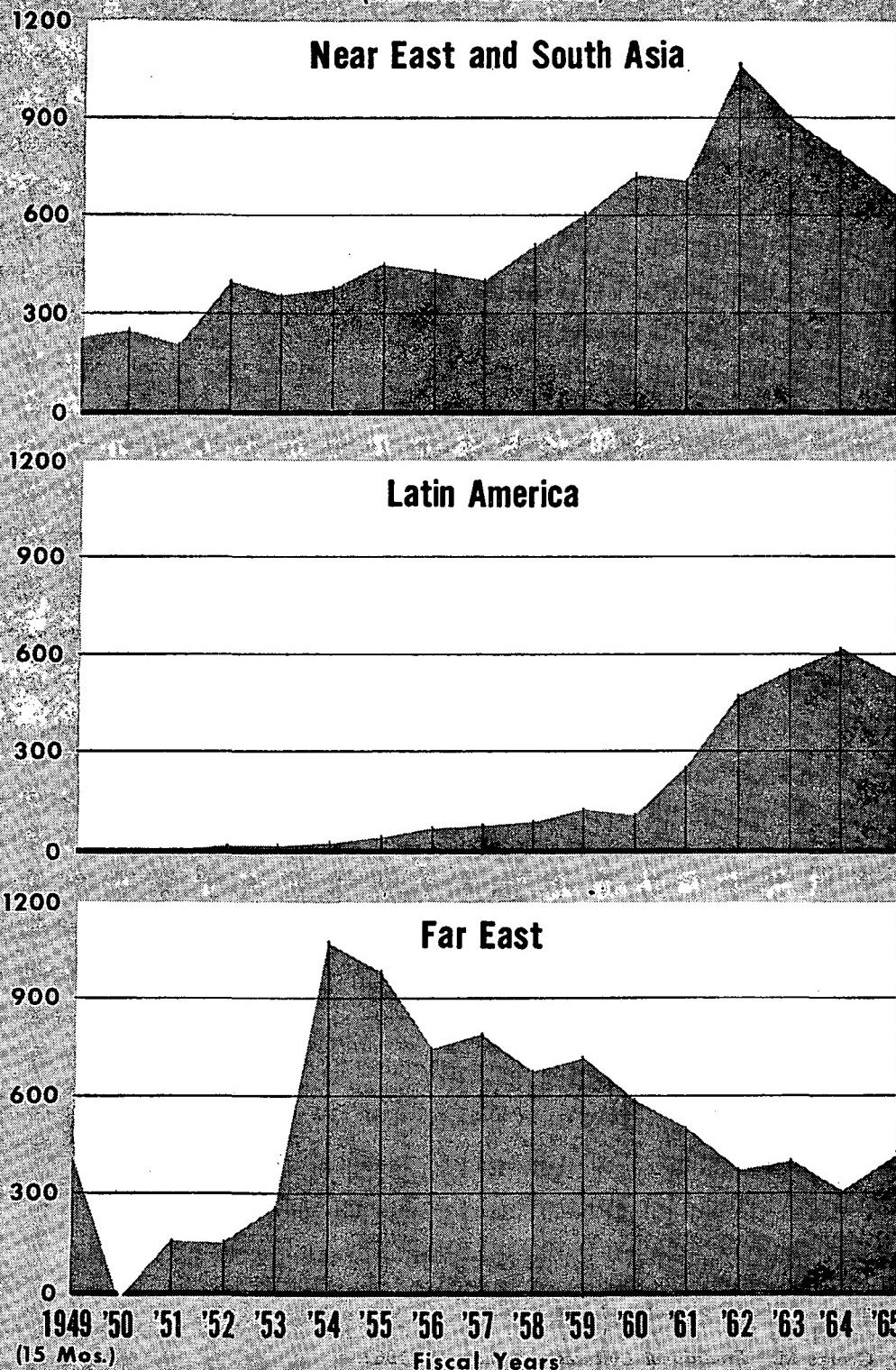
## A.I.D. and Predecessor Agencies

(Millions of Dollars)



# TREND OF ECONOMIC ASSISTANCE BY REGION

A.I.D. and Predecessor Agencies  
(Millions of Dollars)



—These charts are reprinted from *Proposed Economic Assistance Programs FY 1967*,  
a publication of the Agency for International Development issued in March, 1966.

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K.P.D.

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## AID IN WEST EUROPE

(Continued from page 6)

trial economy; in short, Europe had the foundations of an industrial society. What was missing was the plant and equipment destroyed in the war and the food and fuel necessary to the operation of an industrial society. In contrast, the underdeveloped world lacks the foundations of development, especially the social attitudes which permit the operation of a developed economy. These foundations require a much longer period of creation than plant and equipment, food and fuel. Thus the expectation of equally rapid development in the underdeveloped world (and, incidentally, in Appalachia, Harlem and other poverty areas of the United States) is doomed to frustration.

A second American attitude which developed out of the experience of aid to Western Europe was the feeling that those nations which receive American aid will demonstrate their gratitude by supporting the United States position on international political questions. This expectation is based on the erroneous assumption that the alliance between the United States and Western Europe was the result of the American aid program. It is true that once the alliance was in being, American aid made it more effective, but it was the congruence of national interests, and not American aid, which brought the alliance into being in the first place. In the absence of congruent national interests, no amount of American aid will build an effective alliance.

### UNQUALIFIED SUCCESS

From 1945 to 1963, the United States provided a total of \$39.6 billion in assistance to Western Europe, of which \$24.1 billion was economic assistance and \$15.5 billion was military assistance. This represented more than 40 per cent of total United States foreign aid during this period. The aid program can be characterized as an unqualified success in achieving the goals that were set. It not only contributed substantially to the economic recovery of Europe but also pro-

vided the incentive for the economic unity and growth which now provide significant competition to the United States. On the military side, American aid not only encouraged the Europeans to assist in deterring the Soviet Union but gradually facilitated the assumption by the Europeans of effective financial provision for their own defense.

This clearly overwhelming success should not be allowed to obscure the very real differences between the economic and political situation in Europe in the late 1940's and the 1950's, and in the underdeveloped countries in the 1960's. Overoptimistic expectations that the results of American aid will be the same despite these differences can only lead to disappointment, frustration and opposition to further aid. It is certainly possible to support foreign aid to the underdeveloped world without arguing that the results will be the same as in Western Europe.

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## CHALLENGE IN ASIA

(Continued from page 13)

totalling less than \$200 million have apparently been made. However, actual deliveries of military equipment have been well below this figure.

### A MAJOR IRRITANT

Arms aid to Pakistan has become a major irritant in Indo-American relations for the past decade and more, and the limited military aid to India in recent years has evoked strong protests in Pakistan, and has been one of many factors contributing to a noticeable cooling of United States-Pakistan relations. United States aid has undoubtedly helped to put the Pakistani armed forces in a stronger position, and the limited assistance to India helped during the sudden emergency with China and contributed to a buildup of India's defensive strength since late 1962. If Indo-Pakistani relations were cooperative and friendly, such measures of assistance would seem to be highly desirable; but these relations are anything but cooperative and friendly, and United States military assistance to both

has undoubtedly added to the tensions within the subcontinent and in United States-South Asian relations.

When armed hostilities broke out between India and Pakistan in August-September, 1965, the United States suspended its program of military aid to both countries, and it is still uncertain whether this aid will be resumed. The present disposition of the United States seems to be to permit military aid only in the form of certain "pipeline" commitments and "non-lethal" weapons and equipment (communications and transportation equipment, clothing, and so forth). This will bring anguished protests from both countries—and especially from Pakistan, which has become so heavily dependent on American military aid—but any other course of action might lead to even more unpleasant consequences.

#### **RESUMPTION OF AID?**

Even before the Indo-Pakistani clash in the fall of 1965, United States economic aid to Pakistan had been interrupted by repeated postponement, largely at American insistence, of the meeting of the Aid to Pakistan Club which was scheduled to consider the nature and extent of assistance to Pakistan during the first year of the third five year plan. In September, most forms of economic assistance to India and Pakistan were either suspended or curtailed, and they have not yet been fully resumed. The resumption of aid, perhaps on an even larger scale, has been the subject of extensive discussions between American and Indian and Pakistani officials ever since. In May, 1966, for example, both Asoka Mehta, the Indian minister of planning, and Mohammed Shoaib, the Pakistani minister of finance, were in the United States for this purpose. Mehta indicated that India hoped to get \$1.6 billion in economic aid in 1966-1967 from the consortium, with about \$700 million of this amount to come from the United States, while Shoaib was reported to have requested \$500 million, about half of which would be provided by the United States.

There were reports that the United States

was asking for a limitation on military spending by India and Pakistan as a condition for the resumption of full-scale economic aid to the two countries, and also, in the case of India at least, for certain economic reforms. In the meantime, P.L. 480 food shipments were being made at a stepped-up rate—nearly 1,000,000 tons a month—to help tide India over one of the worst food crises since independence.

#### **CHALLENGE FOR THE FUTURE**

The relatively affluent countries of the West have been accused, with some justice, of lapsing into a kind of apathy and narrow provincialism at the very time when the economic needs of the underdeveloped countries are growing. American foreign aid, both economic and military, for example, amounts to only about one-half of one per cent of the Gross National Product, and each year many members of the Congress try to cut the President's modest requests. As a result, "the Administration's present foreign aid program," as *The New York Times* declared on April 10, 1966, ". . . is wholly inadequate for the job at hand." The capital-exporting countries of the West, in the words of *The Times of India* of March 14, 1966, "cannot possibly be unaware that in the absence of a steady rate of economic growth which in most cases cannot be sustained without substantial foreign aid, several Afro-Asian countries would lapse into some form of anarchy. This would constitute a graver danger to a stable world order than the cold war."

To ensure a tolerable future for either Asia or the West, the countries of non-Communist Asia must make even greater and more effective efforts, and the United States and other Western states must continue to give substantial and unflagging support. Foreign aid is only a part of this larger effort, but for the foreseeable future, at least, it is an indispensable ingredient in the struggle for human survival, economic, social and political development, and national security in the countries of non-Communist Asia where nearly one-third of all of the world's peoples dwell.

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## FOOD FOR PEACE PROGRAM

*(Continued from page 47)*

governments or through voluntary relief agencies: *Provided*, That the President shall take reasonable precaution that such transfers will not displace or interfere with sales which might otherwise be made. . . .

### TITLE III—GENERAL PROVISIONS

SEC. 301. Section 407 of the Agricultural Act of 1949 is amended by adding at the end thereof the following: "Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U. S. C. 1855). . . ."

SEC. 302. Section 416 of the Agricultural Act of 1949 is amended to read as follows: In order to prevent the waste of commodities acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary may deem in the public interest: (1) upon application, to make such commodities available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities for strategic or other materials as authorized by law; (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served; and (4) to donate any such food commodities in excess of anticipated disposition under (1), (2), and (3) above to nonprofit voluntary agencies registered with the Committee on Voluntary Foreign Aid of the Foreign Operations Administration or other appropriate department or agency of the Federal

Government and intergovernmental organizations for use in the assistance of needy persons outside the United States. In the case of (3) and (4) above the Secretary shall obtain such assurance as he deems necessary that the recipients thereof will not diminish their normal expenditures for food by reason of such donation. . . .

SEC. 303. Whenever the Secretary has reason to believe that, in addition to other authorized methods and means of disposing of agricultural commodities owned by the Commodity Credit Corporation, there may be opportunity to protect the funds and assets of the Commodity Credit Corporation by barter or exchange of such agricultural commodities for (a) strategic materials entailing less risk of loss through deterioration or substantially less storage charges, or (b) materials, goods or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for offshore, construction programs, he is hereby directed to use every practicable means, in cooperation with other Government agencies, to arrange and make, through private trade channels, such barters or exchanges or to utilize the authority conferred on him by section 4 (h) of the Commodity Credit Corporation Charter Act, as amended, to make such barters or exchanges. Agencies of the United States Government procuring such materials, goods or equipment are hereby directed to cooperate with the Secretary in the disposal of surplus agricultural commodities by means of barter or exchange. Strategic materials so acquired by the Commodity Credit Corporation shall be considered as assets of the Corporation and other agencies of the Government, in purchasing strategic materials, shall purchase such materials from Commodity Credit Corporation inventories to the extent available in fulfillment of their requirements. The Secretary is also directed to assist, through such means as are available to him, farmers' cooperatives in effecting exchange of agricultural commodities in their possession for strategic materials.

SEC. 304. The President shall exercise the authority contained herein (1) to assist friendly nations to be independent of trade with the U.S.S.R. or nations dominated or controlled by the U.S.S.R. for food, raw materials and markets, and (2) to assure that agricultural commodities sold or transferred hereunder do not result in increased availability of those or like commodities to unfriendly nations.

SEC. 305. All Commodity Credit Corporation stocks disposed of under Title II of this Act and section 416 of the Agricultural Act of 1949, as amended, shall be clearly identified by, as far as practical, appropriate marking on each package or container as being furnished by the people of the United States of America.

# THE MONTH IN REVIEW

*A CURRENT HISTORY Chronology covering the most important events of May, 1966, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### North Atlantic Treaty Organization (NATO)

May 13—It is reported in Bonn that the U.S., Britain and West Germany have submitted a note, exploring the terms under which French troops could remain in Germany, to 14 NATO members (excluding France) for approval. (See also *France* and *West Germany*.)

### United Nations

May 17—Acting unilaterally, Secretary-General U Thant refuses to let Rhodesia speak in the Security Council debate on the African states' draft resolution calling for stronger measures against the Rhodesian government of Prime Minister Ian D. Smith.

May 18—The U.S. and Britain urge the Security Council not to put further pressure on Rhodesia while talks continue in London between Britain and representatives from Rhodesia.

Voting 64 to 19 with 13 abstentions the World Health Organization confirms the advisory nature of its role in family planning activities; the U.S. had endorsed a proposal to give WHO a more active role in birth control activities.

May 31—Secretary-General U Thant receives a letter from Soviet Foreign Minister Andrei Gromyko urging the U.N. to limit the use of celestial bodies to peaceful pursuits.

### ALGERIA

May 7—Chief-of-State Houari Boumediene announces that the government is nationalizing 11 foreign-owned mines, and taking legal title to French homes, factories and farms abandoned after independence was

declared in 1962. No mention of indemnities is made.

### BRAZIL

May 26—The national convention of the National Renovating Alliance (Brazil's ruling party) nominates General Artur Costa e Silva for the presidency. The nomination is considered tantamount to election.

### CAMBODIA

May 19—in the Security Council, Cambodia charges Thailand with "a series of clear acts of aggression, involving large-scale warlike operations."

May 23—*Hsinhua* (official Chinese press agency) says in a monitored broadcast that Cambodia has termed U.S. charges that Cambodian territory provides bases for attacks on American forces in South Vietnam a "new slander."

### CHILE

May 21—in his annual message to congress, President Eduardo Frei Montalva asks for approval of his agrarian reform program; he promises that only some 4,000 large estates among the 260,000 current farm properties will be divided.

### CHINA, PEOPLE'S REPUBLIC

May 4—Contradicting a charge made by Soviet Defense Minister Marshal Rodion Y. Malinovsky, a spokesman of the Chinese foreign ministry says that China has never hampered the transit of Soviet aid materials to North Vietnam.

May 9—Continuing what appears to be a nationwide purge, Peking denounces a prominent Chinese journalist, Teng To, and three Peking newspapers charged with having been Teng's tools.

China announces it successfully exploded a thermonuclear device May 8.

May 10—It is reported by *Hsinhua* that Mao Tse-tung has met with an Albanian delegation; no date or place of the meeting are given.

May 13—China claims that a Chinese military aircraft was shot down yesterday by 5 U.S. fighter planes that were intruding over Yunnan Province.

May 14—China and Albania join to denounce the U.S.; they charge that the leaders of the Soviet Union are "accomplices of United States imperialism."

May 17—China says it has photographic proof of the U.S. intrusion over Chinese air space. The U.S. refuses to comment on this charge.

### **COLOMBIA**

May 2—with 95 per cent of the ballots in yesterday's presidential election counted, Carlos Lleras Restrepo of the Liberal Party is elected to serve until 1970.

### **CONGO, REPUBLIC OF THE (Brazzaville)**

May 6—President Alphonse Massamba-Debat names Ambroise Noumazalay as premier and minister of planning, succeeding Pascal Lissouba. Noumazalay is first secretary of the ruling party, the National Movement of the Revolution.

### **CONGO, REPUBLIC OF THE (Leopoldville)**

May 19—Former Premier Moïse Tshombe is formally deprived of his parliament seat; parliament votes 96 to 3 with 9 abstentions to unseat him and also accuses him of treason.

May 30—The government arrests former Premier Evariste Kimba and three former cabinet officials on a charge of plotting to kill President Joseph Mobutu. They will be tried for high treason.

May 31—Kimba and the three former cabinet officials are sentenced to die, by a military court trial.

### **CUBA**

May 5—in an editorial in *Granma*, the official Communist Party organ, Yugoslavia is called "a tool of United States imperialist policy."

May 7—it is reported from Miami that on May 3 the National Institute of the Agrarian Reform announced it would "buy all private farms that are not being properly cultivated."

May 27—Premier Fidel Castro denounces the United States for shooting at some Cubans on the Guantanamo naval base on May 21 and May 23. He calls the incidents an effort to provoke a fight and orders a military alert. (See also *United States*.)

May 28—the government begins calling up military reserves as Castro warns of "possible imminent Yankee aggression."

### **CZECHOSLOVAKIA**

May 31—President Antonin Novotny opens the 13th Congress of the Czechoslovak Communist Party.

### **DOMINICAN REPUBLIC**

May 4—Joaquín Balaguer, presidential candidate of the Reformist Party and former president, suggests that the losing party in the June 1 election should become a loyal opposition.

May 14—in Santo Domingo, Haitian exiles report that early this week 58 Haitians were forced to return to Haiti by Dominican army troops.

May 17—Former President Juan Bosch warns that he and his Dominican Revolutionary Party will not take part in the presidential election scheduled for June 1 if the military continue their repressive tactics.

May 18—Provisional President Hector García Godoy orders the armed forces to remain in their barracks until after the June 1 election.

May 19—in light of the May 18 order confining the armed forces to their barracks, Bosch withdraws his warning that he might drop out of the race.

May 20—Police look into an unsuccessful attempt to assassinate Joaquín Balaguer.

García Godoy declares that all Haitians crossing illegally into the Dominican Republic will be returned to Haiti. It is rumored that the Haitians are being imported to vote illegally in the June 1 election.

May 29—Balaguer announces that he is again a candidate after having withdrawn from the presidential race yesterday, charging election malpractice.

May 31—Provisional President Hector García Godoy announces that he will urge withdrawal of the Inter-American Force before the new president is inaugurated on July 1.

## **FINLAND**

May 27—A four-party coalition, which includes Communists in the government for the first time since 1948, is sworn in. Rafael Paasio, chairman of the Social Democratic Party, leads the cabinet as premier; three Communists will serve in the cabinet.

## **FRANCE**

(See also *Intl., NATO*)

May 3—The government sends notes to members of NATO stating that all military flights over French territory will be subject to monthly review as of June 1, rather than on an annual basis. The question of flight and landing rights is a major issue in the present NATO negotiations.

May 4—A government spokesman discloses that France will keep her troops in West Germany only under the terms of the 4-power convention of 1954, which reserved occupation rights to France as a World War II ally.

May 5—The leader of the non-Communist French Left, François Mitterrand, announces the formation of a "shadow cabinet" which will study and, if necessary, oppose Gaullist policy.

May 6—Interior Minister Roger Frey gives the first government account in six months of the Ben Barka affair. He defends himself and the government against charges of wrongdoing. (See *France, Current History*, March, 1966, p. 184.)

May 22—Informed sources report that France will explode three nuclear bombs in the air and one under water in the Pacific in early July.

## **GAMBIA**

May 27—In the first general election since independence, Prime Minister Dawda K. Jawara's People's Progressive Party wins 24 seats in the 32-seat legislature.

## **GERMANY, DEMOCRATIC REPUBLIC OF (East)**

May 4—It is reported in Berlin that the head of Ghana's trade mission, his staff and 350 students are being prevented from leaving East Germany. The action is in retaliation for restrictions on East Germans in Ghana.

## **GERMANY, FEDERAL REPUBLIC OF (West)**

May 2—Former Chancellor Konrad Adenauer arrives in Israel for an 8-day visit.

May 3—The government sends a note to France proposing that the two countries negotiate simultaneously a separate status-of-forces agreement under which French forces would be allowed to remain on German territory after July 1, only if France and the other NATO members reach an agreement on the assignment of the 70,000 French troops in the allied command. (See also *Intl., NATO*.)

May 4—State Secretary Karl Carstens claims that East Germany is shipping weapons to North Vietnam.

May 6—Defense Minister Kai-Uwe von Hassel leaves for the U.S. for 14 days of talks with government and industry officials.

May 9—It is disclosed that the government sent a note to six of its allies last week requesting better conditions for its nationals employed by NATO forces stationed in West Germany.

May 12—The government and Israel sign an economic assistance agreement which will provide Israel with a \$40-million repayable credit for 1966. Bonn states that this is

part of Germany's aid program and not a continuation of reparations.

**May 25**—Chancellor Ludwig Erhard returns to Bonn after a 2-day conference with British Prime Minister Harold Wilson.

**May 26**—Agreement in principle is reached by East and West Germans on the dates and conditions for their first public debate.

### GHANA

**May 19**—The leader of the Ghanaian economic delegation to Washington, E. N. Omaboe, announces that the International Monetary Fund has extended stand-by credits of \$36.4 million to help Ghana meet the debts incurred by the previous regime of Kwame Nkrumah.

### GREECE

**May 11**—Ioannis Toumbas is appointed foreign minister. He replaces Elias Tsirimokos, who had tried to topple the government in a dispute over Cyprus. His appointment increases by one the parliamentary majority of Premier Stefanos Stefanopoulos' government.

**May 14**—The government reacts favorably to the United Nations idea of a provisional Cyprus settlement to last 3 to 5 years.

**May 18**—Greece and Turkey announce that a meeting of their foreign ministers to negotiate "a peaceful and agreed settlement" on Cyprus will begin in Brussels on June 9.

### GUATEMALA

**May 10**—In a run-off election, congress elects Julio César Méndez Montenegro as president and Clemente Marroquin Rojas as vice-president for 4-year terms in office. The successful candidates of the Revolutionary Party win over the government-supported candidates of the Institutional Democratic Party. (In the March 6 general election, no single slate won more than 50 per cent of the vote.)

### GUYANA

**May 26**—Guyana (formerly British Guiana) achieves independence under Prime Minis-

ter Forbes Burnham, leader of the National Congress Party.

### HUNGARY

**May 29**—The Hungarian Communist Party approves economic reforms to raise living standards.

### INDIA

**May 6**—Minister of Planning Asoka Mehta ends his aid mission to the United States. No specific commitments are made.

**May 9**—Prime Minister Indira Gandhi tells parliament that the U.S.-proposed Indian-American Educational Foundation, which would use rupees earned by the sale of American surplus food to assist India education and research, would not be used as a cover by the C.I.A.

**May 10**—Foreign Minister Swaran Singh discloses that the Mizo rebels are being trained and given arms and equipment by Pakistan.

**May 11**—The government announces a large relief program for the drought-afflicted state of Orissa.

**May 13**—Mehta announces that the United States and the World Bank have assured India of "substantially greater assistance than in the past."

**May 14**—An agreement is signed between the government and the American International Oil Company to establish India's largest fertilizer plant, despite claims that American International is getting too much control.

**May 22**—In response to criticism from her party colleagues accusing her of straying from the policies of Jawaharlal Nehru, Indira Gandhi says that the "three pillars" of policy are the same as Nehru's—"socialism, secularism and democracy." She also tells the Congress Party to choose another leader if they are dissatisfied with her approach.

**May 23**—The ruling Congress Party ends a 3-day meeting, after selecting its nominating committee for the 1967 elections.

**May 26**—The Indian government reveals it is ending its ban on trade with Pakistan.

## INDONESIA

(See also *Malaysia*)

May 5—Lieutenant General Suharto announces that the May 12th meeting of the People's Provisional Consultative Congress has been postponed but not canceled. This Congress could theoretically elect a president and vice-president. At the same time Suharto calls for general election laws based on the 1945 constitution and for the creation of a supreme advisory council.

May 7—It is reported that Fahmi Idris, commander of the Arif Rachman Student Regiment, vows "more trouble if the congress does not meet."

May 9—The universities of Jogjakarta are permitted to reopen after being closed on April 26 due to clashes between anti-Communist and Communist elements.

Deputy Premier for Economic Affairs Sultan Hamengku Buwono urges the government to consider private enterprise as part of a cure for the country's economic ailments.

May 17—The government releases 15 prominent political prisoners after 4 years in jail without trial. Most of them had been members of outlawed political parties.

May 19—Informed sources report that Major Generals Ibrahim Adjie and Soerjosupjeno, the two most powerful provincial commanders and alleged allies of Sukarno, have been quietly dismissed from their positions.

Foreign Minister Adam Malik reports that government officials have made contact with the Malaysian government in an effort to resolve the existing dispute. (See *Malaysia, Current History*, June, 1966, p. 373.)

May 20—Malik discloses that Sukarno has forbidden him to travel abroad in an apparent effort to prevent his talks with Malaysian officials. Malik states that the confrontation is draining the economy.

May 23—Jakarta radio reports that Sukarno is willing to allow Malik to meet with the Malaysian deputy prime minister Abdul Razak.

Students demonstrate to demand a meet-

ing of the People's Consultative Congress on June 1 rather than in July, as now planned.

May 29—Conferences begin between Malaysian Acting Prime Minister Abdul Razak and Indonesian Foreign Minister Adam Malik in Bangkok, Thailand.

## IRAQ

May 11—Kurdish sources report from Lebanon that the Iraqi government has made some moves toward a negotiated settlement of the war with the Kurds. (See *Iraq, Current History*, June, 1966, p. 371.)

## ISRAEL

(See also *West Germany*)

May 18—Premier Levi Eshkol urges the major powers to curb the armament growth in the Middle East. He repeats that "Israel has no atomic arms and will not be the first to introduce them into our region."

May 27—Eshkol leaves for a 3-week African tour.

## ITALY

May 5—An Italian journalist reports that he found and talked with Ernesto Che Guevara—formerly Fidel Castro's chief aide—at his hideout in the Andes in Peru.

## JORDAN

May 25—King Hussein lays the foundation stone of the Mokheiba Dam, which is part of the Arab plan to divert the waters of the Jordan River.

## KENYA

May 1—President Jomo Kenyatta brings former Mau Mau fighters to a mass rally in Nairobi to testify that former Vice-President Oginga Odinga offered to pay them to begin a guerrilla warfare campaign against the government.

May 2—The 30 dissident members of parliament lose their seats as President Jomo Kenyatta ends the current parliamentary session. Elections will be held to fill the vacant seats.

May 10—in a speech before the Central Legislative Assembly (the parliamentary body that governs the common market and

the shared services of Kenya, Uganda and Tanzania), Kenyatta discloses that the three nations have been unable to reach an accord on a means of preserving their past economic cooperation.

## LEBANON

May 4—Students demonstrate in front of the U.S. embassy against the U.S. decision to close the United States Information Service language center.

## MALAWI

May 20—Members of parliament elect Prime Minister H. Kamuzu Banda to serve as president when the country becomes a republic on July 6.

## MALAYSIA

(See also *Indonesia*)

May 18—Acting Prime Minister Abdul Razak asks Indonesia to set the date and location for peace talks.

May 27—Razak says Malaysia's undeclared war with Indonesia has unofficially ended.

## NIGERIA

May 24—Major General John Aguiyi-Ironsi announces that his military government intends to stay in power for three years, that all political parties will be abolished, that the civil service will be unified and that Nigeria will abandon the federal form of government.

May 30—Some order returns in north Nigeria after a weekend of antigovernment rioting; 64 persons are killed.

## POLAND

May 2—Stefan Cardinal Wyszynski is welcomed at Jasna Gora monastery, the most sacred Roman Catholic shrine in Poland. Today's ceremony marks the millenium of Polish Catholicism.

May 19—French Foreign Minister Maurice Couve de Murville and Polish Foreign Minister Adam Rapacki begin talks in Warsaw.

Sources report that Poland and Italy have completed a \$40-million agreement

under which Fiat cars will be manufactured in Poland.

May 20—In Warsaw, French Foreign Minister Maurice Couve de Murville signs two five-year treaties with Poland outlining French-Polish cooperation in the fields of cultural, scientific and technical relations. He is the first French foreign minister to visit Poland since World War II.

## PORUGAL

May 10—The acting chief delegate to the U.N., Antonio Patrício, denies that Mozambique (a Portuguese territory) has become the main source of oil for Rhodesia.

May 14—Minister of Justice Antunes Varela announces a new civil code which will increase the government's control over the individual.

May 26—The government announces new legislation to go into effect in September, 1966, which will improve working conditions and liberalize working laws in an attempt to curb the emigration of labor.

## RHODESIA

(See *United Kingdom*)

## RUMANIA

May 11—It is reported that General Secretary Nicolae Ceausescu reasserted his country's territorial claim to Bessarabia and Bukovina in a speech on May 7, the 45th anniversary of Rumania's Communist Party. These two regions were ceded to the U.S.S.R. in 1940.

May 12—Reports disclose that Leonid Brezhnev, Soviet Communist Party leader, has left for Moscow after a two-day visit.

May 13—More reports of Ceausescu's speech are released; he condemned the military blocs of both the East and West and called for the abolition of such blocs and of foreign bases.

May 16—A report from Moscow states that Rumania has sent a note to the U.S.S.R. stating that the presence of Soviet troops on Warsaw Pact members' territory is no longer justified; Rumania is no longer will-

ing to contribute to the cost of stationing Soviet troops in the member countries.

May 26—Rumanian Foreign Minister George Ciora leaves Bonn after a meeting with Chancellor Ludwig Erhard. Ciora expresses the hope that diplomatic relations can be established between the two countries.

## **SOUTH AFRICA, REPUBLIC OF**

May 9—The Pretoria Supreme Court sentences Abram Fischer, lawyer for the defense in the 1964 sabotage trial of Nelson Mandela and others, to life imprisonment for conspiracy to commit sabotage. Fischer was also found guilty of furthering the aims and objectives of the Communist Party, of which he is a member.

May 11—Ian Robertson, president of the National Union of South African Students, is barred under the Suppression of Communism Act from entering educational premises except to attend lectures in connection with his law degree; he is also restricted to the Capetown area. Robertson recently invited U.S. Senator Robert Kennedy (D., N.Y.) to visit in South Africa.

May 24—An Information Department statement discloses that no foreign news correspondents will be allowed to accompany Senator Kennedy on his visit to South Africa.

## **SPAIN**

May 5—Some 2,000 University of Madrid students battle with police.

May 6—It is reported in Madrid that all but three leaders of the Barcelona rebel student movement have been arrested.

May 11—More than 100 peacefully demonstrating Roman Catholic priests are dispersed violently by police in Barcelona; it is reported that police beat, kicked and clubbed the clergy.

May 15—Although the archbishop of Barcelona refuses to condemn police brutality, many priests read a sermon in the Catalan language from their pulpits saying they are determined to "break the alliance"

between the Franco government and the Church.

May 18—Spain asks Britain to give up her title to Gibraltar; talks on Gibraltar's future open in London.

## **SYRIA**

May 9—The Syrian government radio reports that "suspicious moves by reactionary elements at home and concentrations of Jordanian troops on Syria's southern border and of Israeli troops on Syria's southwestern border" are part of a co-ordinated design.

May 16—The government issues an Economic Penal Code protecting the socialist economy against "subversion and sabotage."

## **UGANDA**

May 23—President Milton Obote indicts the King of Buganda on a charge of high treason, after the king asks Obote to remove his government from Buganda's soil by May 30. The king was federal president of Uganda until Obote took over all power in February. A state of emergency is declared in Buganda after a day of rioting.

May 24—The Uganda army burns and destroys most of the palace compound of the King of Buganda by shell fire.

May 27—Obote says that the Kabaka (king) of Buganda is missing.

## **U.S.S.R., THE**

May 4—The U.S.S.R. and the Fiat company of Italy sign an agreement to build an automobile factory in the U.S.S.R. with a capacity to produce 2,000 vehicles daily.

May 10—Premier Aleksei N. Kosygin arrives in Cairo on an official visit.

May 16—Soviet scientists report that the two dogs that spent 22 weightless days in orbit (Feb. 22-Mar. 16) evidenced problems of muscular reduction, dehydration, loss of calcium and confusion in readjusting to walking, but slowly returned to normal.

Premier Kosygin criticizes U.S. "Hitler-

ite" policies in Vietnam; he demands withdrawal of U.S. troops from South Vietnam and South Korea.

**May 21**—A week-long conference of the Young Communist League (Komsomol) ends.

**May 28**—The government discloses a long-range reclamation program for Soviet farmland.

**May 31**—Brezhnev calls for a strengthening of the Warsaw Pact, at the 13th congress of the Czechoslovak Communist Party in Prague.

### UNITED ARAB REPUBLIC

**May 1**—President Gamal Abdel Nasser warns that the U.A.R. will invade and occupy part of Saudi Arabia if there is "any aggression or infiltration" into Yemen from Saudi territory.

**May 7**—After 5 days of private conferences, Nasser and Yugoslav President Tito ask "active preparation" for a worldwide disarmament conference.

### UNITED KINGDOM

#### Great Britain

**May 3**—In a budget address to the House of Commons, Chancellor of the Exchequer James Callaghan announces a selective payroll tax to combat inflation to go into effect in September, 1966; machinery is also set up for voluntary curbs on investment in the sterling area countries of Australia, New Zealand, South Africa and Ireland.

**May 4**—Prime Minister Harold Wilson announces the government's agreement to raise pay for doctors and dentists in the National Health Service by as much as one-third.

**May 9**—Representatives of Rhodesia and Britain open exploratory talks on Rhodesian-British differences in London.

Queen Elizabeth II begins the first state visit by a British monarch to Belgium since 1922.

**May 11**—In the U.N., Britain formally charges that Yemen is directing terrorism

in the British protectorates of South Arabia and Aden.

**May 16**—Despite appeals from the prime minister, British merchant seamen begin a strike, the first in 55 years.

**May 20**—Talks on Rhodesia are suspended.

**May 23**—Talks with the government of South Arabia open in London; negotiations aim at Britain's departure from Aden and its adjoining tribal areas by 1968.

Queen Elizabeth II declares an emergency because of the maritime strike.

**May 26**—The government announces that a court of inquiry is being formed to investigate the maritime strike and the general condition of the British shipping industry.

### UNITED STATES

#### Civil Rights

(See also *Politics*)

**May 7**—The Office of Education reports that 255 school districts in 17 Southern and Border states have not complied with requests to pledge that they will follow guidelines set up by the federal government for racial desegregation in their schools.

**May 10**—The California Supreme Court rules 5 to 2 that an amendment to the state constitution allowing racial discrimination in disposal of property is unconstitutional.

**May 24**—The Dallas County (Alabama) Democratic Executive Committee is ordered by a federal district judge to count—in a Democratic primary for sheriff—rejected ballots from six predominantly Negro polling districts. The ruling in effect defeats incumbent James G. Clark, Jr.

#### Economy

**May 4**—President Lyndon Johnson asks the reorganized Advisory Committee on Labor-Management Policy to propose curbs on inflation.

**May 10**—Michigan's Governor George Romney, former president of the American Motors Corporation, testifies before the House Interstate and Foreign Commerce

Committee that the automobile industry could be thrown "into a tailspin" by ill-advised traffic safety laws.

May 16—Walter Reuther asks the auto industry to reduce wholesale car and truck prices to stimulate sales and aid the fight against inflation.

## Foreign Policy

May 7—President Johnson says the U.S. will ask the U.N. to formulate a treaty preventing any nation from claiming sovereignty on the moon or other celestial body, agreeing to bar weapons from celestial bodies, and leaving them open for peaceful exploration by all nations.

May 11—Accepting an honorary Doctor of Laws degree at Princeton University, President Johnson asks "responsible intellectuals" to understand and support his policies in Vietnam.

The State Department admits that the U.S. has rejected a Chinese Communist proposal that China and the U.S. pledge that neither would initiate atomic war against the other. (See also *China*.)

May 12—Representative Wilbur D. Mills (D., Ark.), chairman of the House Ways and Means Committee, says he opposes the Administration's suggestion for legislation liberalizing trade with East Europe; he adds he does not plan to schedule committee hearings on the proposed legislation in 1966. The legislation was submitted by the State Department yesterday.

May 18—It is reported in Washington that the U.S. has protested to Cambodia that the Vietcong are using Cambodian territory as a base for military action against Americans in Vietnam.

May 19—It is revealed in Washington that the U.S. agreed in February to sell a small number of tactical jet bombers to Israel—the first such weapons sale.

May 26—in his first major speech on African policy, President Johnson tells a group of African ambassadors that white supremacy doctrines in Africa are repugnant to the U.S.

May 30—in a letter dated May 28 and cir-

culated today, the U.S. and 5 other states with troops in the Dominican Republic call for negotiations leading to withdrawal of the Inter-American Peace Force.

May 31—in response to a charge made by Cuban Premier Fidel Castro, the State Department denies any plans for invasion of Cuba. (See also *Cuba*.)

## Government

May 5—The Secretary of Health, Education and Welfare, John W. Gardner, names Milo D. Leavitt to a newly-created post as secretary for science and population, to coordinate governmental activities in the field of birth control.

May 14—it is reported in Washington that the Administration has ended its effort to roll back individual price increases.

May 18—in a speech to the American Society of Newspaper Editors, Secretary of Defense Robert McNamara suggests that all young Americans give 2 years of service to the U.S. either in a military or a civilian role.

May 19—Spokesmen for the Administration state that the Administration has no plans to draft young people for civilian duty or to let civilian duty become an alternative to military service.

May 26—Johnson suggests that Congress impose strict controls on contributions to candidates for federal office and encourage small political contributions by making the first \$100 tax-deductible. He also proposes maximum disclosure of the sources of campaign funds.

## Labor

May 19—Walter Reuther is reelected for the 11th time to a 2-year term as United Automobile Workers Union president.

## Military Affairs

May 6—in testimony to Congress last February released today, Secretary of Defense McNamara told Congress that the U.S. airborne alert defense system was being sharply reduced.

May 10—Administration sources believe that Communist China's May 8 nuclear explo-

sion may have exceeded 100 kilotons in yield and may have been an experimental forerunner of a hydrogen bomb.

**May 14**—Some 350,000 college students take the first of three draft deferment tests.

**May 30**—An unmanned Surveyor spacecraft is successfully launched by an Atlas-Centaur rocket. The craft is expected to make a soft landing on the moon June 2.

## Politics

**May 3**—Despite an unusually heavy Negro vote, Mrs. George C. Wallace wins the Alabama Democratic primary; she hopes to succeed her husband as governor.

**May 23**—New York's Governor Nelson Rockefeller says he will never again enter a national election race; he urges Republicans to place Michigan's Governor George Romney and New York's Senator Jacob Javits on the 1968 slate for president and vice-president.

**May 31**—In a run-off primary, Lucius Ameron is the first Negro since Reconstruction to receive a Democratic nomination for sheriff in Alabama.

## Supreme Court

**May 25**—The National Association for the Advancement of Colored People asks the Court to reconsider its April 27 refusal to hear an N.A.A.C.P. appeal from a judgment making the N.A.A.C.P. liable for damages rising out of picketing ordered by its Savannah branch.

## VIETNAM, REPUBLIC OF (South)

**May 5**—In Saigon, a 32-member committee to draft an election law holds its opening session; the Buddhists demand that the government issue a decree outlining the committee's legal status, its power and its responsibilities.

**May 7**—At a news conference, Premier Nguyen Cao Ky says he expects his government to remain in power "for at least another year, perhaps until the middle of next year." Buddhist organizations call protest meetings.

**May 15**—After a day of open rebellion in

Danang, the government junta seizes control from rebel military units allied with Buddhist opposition groups.

**May 16**—The Confederation of Labor begins an antigovernment strike in Saigon; some 50,000 do not report for work, and port activities halt.

Buddhist leader Thich Tri Quang asks U.S. President Johnson and Ambassador Henry Cabot Lodge to "intervene" against the Ky government in South Vietnam's political conflict.

**May 18**—The United Buddhist Church says it has lost confidence in the Ky government.

**May 20**—In Danang, loyal government troops fight rebels.

**May 21**—Vietnamese planes bomb dissident soldiers in Hué; Ky's troops seize one of the Buddhist pagodas used as a refuge.

**May 23**—Ky's troops take over Danang as armed resistance ends.

**May 24**—Responding to a suggestion made from the floor at a National People's and Armed Forces Congress, Premier Ky says he would approve the addition of civilian members to the ruling military junta; he asserts that government troop occupation of Danang will not delay the elections for a constitution-drafting body now planned for September.

**May 26**—The U.S. cultural center and library in Hué is burned by Buddhist students protesting U.S. support for Ky.

**May 27**—Premier Ky confers with Lieutenant General Nguyen Chanh Thi, the general whose dismissal in March triggered the current crisis.

**May 31**—Members of the military junta and Buddhist leaders meet for two hours. They report no progress toward ending the political crisis.

Leading Buddhists ask an end to suicide by fire as a political weapon; 5 Buddhists have immolated themselves in the past 3 days.

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